P-1182E

App. F. IX-4

193 . File No. 15-26

Previous References

A & E Dept No 114-25.
Dep no 116-25.

Later References

J. J 32-36 (1-6)
" 13-30 (1-12)
Home 99-33 (1-3)
" 3-33-16 (1-22)

1-11, preserve

General and Revenue Secretariat.

Serial Nos. Twenty

Part B for Septr

SUBJECT.

Appointment of Mr T. Subba-Ramaiy as Inspector to investigate into the working of the Mysore Agricultural Dairy Farm Ltd and the Remuneration to be paid

D 2366-5 dt 3.9.33 to him

& Regr. J.J. Compn Coimbr to Govt

Sanction to

G.R.S. III—3]

Routine Notes.

[To be used only for notes, requisitions, etc., not intended for

D. 3504
J.S. 15-26-1

Memo No. 10613 & 8:1
Secretary to the Resid
for disposal, petition &
from one Mr. M.K. &

Summary of the petit

1) A Company Calle
Agricultural Dairy Fa
founded in Mysore
22.10.25, the petitioner
the Manager of the Fa
Rs. 50. But, subsequent
that the Company wo
pay him. When, here
the Managing Agents
refund his security amou
(Rs. 860/-), they held that
has no right to claim the a
Thereupon the petitioner Carver
major portion of the amount
Shares of Rs. 10/- each. As the
remained unallotted for a
derable time, the petitioner
claimed that his money
refunded which was not
the matter was reported to
Registrar, J.S. Companies
but he did not take any
No Share Certificates also
issued

2) The petitioner prays that
investigation into the affa
Company may be held +
money paid by him Carver
be refunded to him.

N.B.—Should routine notes be written on small slips, the notes must be copied, or slips pasted on this form

Routine Notes.

[To be used only for notes, requisitions, etc., not intended for permanent record.]

for orders.

4) I believe there are some other files in which complaints were made by some shareholders, about a year ago, against the same Company. And the Registrar of Joint Stock Companies has also been a party in that connection. Please put them up.

WP 14/12

26-2) Perhaps by 12th Dec. 1926 M. K. Sampathkumaran will kindly take such steps as may be necessary to investigate the affairs of the Company and for any of the amount.

~~The above petition is recommended in the file.~~

5) The previous files referred to at 4 above are placed below for perusal. The Registrar's report is awaited.

Sd/ D)

Off for appl WP 20/12

Asst Dep No 114/25-26
do — 116/ do —

21/12

21.12.24

WP

apld CRS

*N.B.—Should routine notes be written on small slips, the notes must be copied, or slips pasted on this form.

Issue

22.12.26

4995 1582/CR

G.R.S. III—3]

Routine Notes.

[To be used only for notes, requisitions, etc., not intended for permanent record.]

Petition No. R.P. 180. dated from M. K. Sampathkumara requesting early orders in matter of refunding an a of Rs 450 with dama the Mysore Agricultural Ltd.

Subld.

The Case relates to a Stock Companies and n be dealt with in the Branch. (This is said to be the petition)

Pers. 3686 J.S/15-26-2 3/11/27.

J.S. 4995 GEN. & REV. SECRETARIAT. 11 FEB. 1927 DEVELOPMENT BRANCH.

10/2/27

2 Please hamper li concern for Development Br.)

Seebd for perusal:-

3 This is one another petition from Mr Sampathkumaran to Where are endorsements & Reports already given on His petition has b to the Registrar of J.S.Cos for enquiry & report.

A Reminder was sent to the Registrar on 14-2-27 and his reply is awaited.

Flag Y J.S.15-26-4.

Flag I. J.S.15-26-3.

Flag R. J.S.15-26-R.

A-4 This has been yesterday ? Minute — Pleo sent - W

14-2-27.

N.B.—Should routine notes be written on small slips, the notes must be copied, or slips pasted on this form.

G. R. S.-III—3]

ROUTINE NOTES.

[To be used only for notes, requisitions, etc., not intended for permanent record.]

Letter No 1098 of 21.2.27 from the Registrar of J.S. Cos forwarding his report on the affairs of the Mysore Agricultural Dairy Co-op Ltd & forwarding a Copy letter No 215 of 30.1.27 from the ex-officio Assistant Registrar of J.S. Cos of Mysore Dt, Containing his report together with enclosures.

Subd.

5 The Assistant Registrar is of opinion that the Co-operators should be wound up as it is mismanaged & as there are apparent defalcations.

6 The Registrar has called for explanations from the Co-operators in the balance sheet. His complete report on the affairs of the Co-op may perhaps be awaited.

7 The Registrar is of opinion that the Co-op have made themselves liable for prosecution under Sec 108 of the Co-op Act for default in delivering the share certificates & states that necessary action will be taken accordingly if approved.

8 The L.L. Secy may also be consulted

VS

G. R. S. III—3]

ROUTINE NOTES.

[To be used only for notes, requisitions, etc., not intended for permanent record.]

for favouring opinion.

1337

MP 14/3

The Registrar seems to be of opinion that it is the duty of the Company to inform the Shareholders of the fact of certificates being ready for delivery & of their intention to deliver the same on production of proper receipts.

Sec 108 only enjoins the Company to complete & have the Shares ready for delivery within the period fixed.

2. This section does not impose a duty upon the Co to issue notice to all the Shareholders & receive such certificates.

3 Any failure to issue a notice not imposed on a Co by law will not render them liable for prosecution. Moreover it is not for the Registrar to take more a criminal Court to take such action under sec 108.

N. B.—Should routine notes be written on small slips the notes must be cipoed, or slips pasted on this form.

4 Any person aggrieved may proceed

5 Please put up file & add that further reports (after the Co's explanation) is awaited.

G.R.S. III—3]

Routine Notes.

[To be used only for notes, requisitions, etc., not intended for permanent recor

Inv Sect

A Company calling itself [redacted] Mysore Agricultural Dairy Farm Coy has been advertising for some years in outside papers, & believe not in Mysore papers for agents on high salaries. There are such advts on Hindu of 20th inst. - Page 1. Column 1: Bombay Chronicle 7th Sep. 2nd page 1826

This is, believe, merely fraudulent advertising of many frauds on gullible public from Mysore City. The I.G. to be asked to make some enquiries. The C.I.D. should keep an eye on possible action possible

DC
25/9

N.B.—Should routine notes be written on small slips, the notes must be copied, or slips pasted on this form.

25/9

25/9

3 June

C55 pgs

1477
1661
1714

G.R.S. III—3]

Routine Notes.

[To be used only for notes, requisitions, etc., not intended for permanent record.]

The D.G. P.O.

O.P. 1540 D/ 29-9-26.

Requests to institute necessary enquiries in the matter through the C.I.D. and see if any action is possible re his No. C. 784/26 D/ 5-10-26 addressed to the D.G.P. requesting the return of the envelope which the letter was sent to him in, giving the place from which the same was posted.

4) Noted. The letter and envelope were seen from the Inward Section here and returned with this D.O. letter. If after enquiry the P.A. to D.G.P. finds the envelope asked for and the same is not preserved, it has been destroyed.

Clerk 12/10/26

P.A. to D.G.P. (Initials illegible)

5) This is ascertained from P.A. to D.G.P. that the envelope is not preserved. Draft for D.G.P.'s signature is attached.

Supdt 18/10

N.B.—Should routine notes be written on small slips, the notes must be copied, or slips pasted on this form.

Issued 16/10

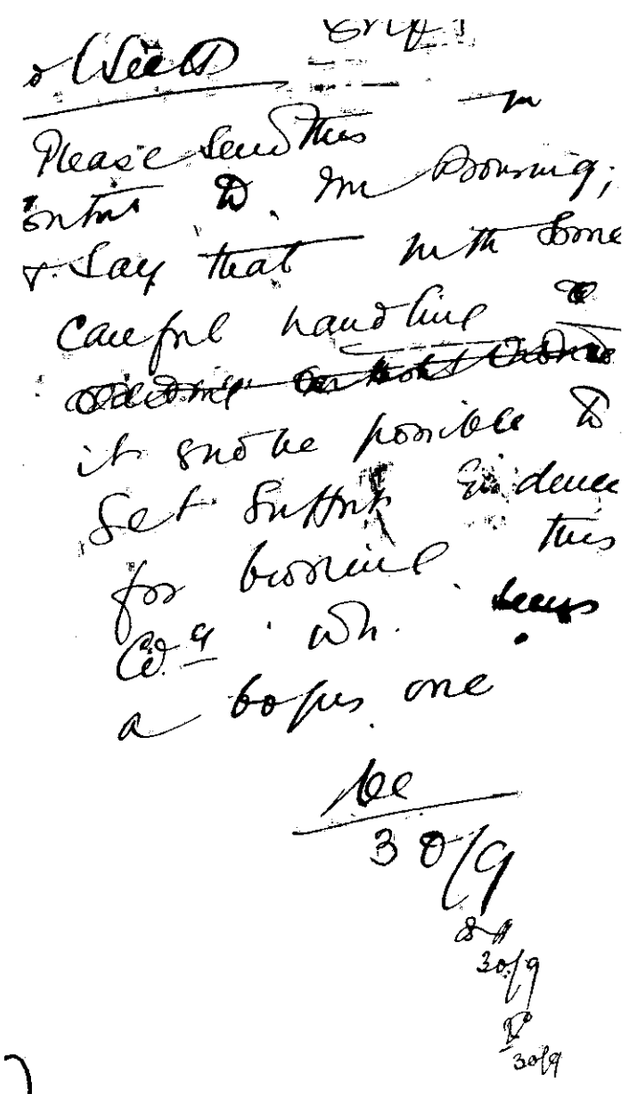
6)

Clerk

G.R.S. 111—3]

Routine Notes.

[To be used only for notes, requisitions, etc., not intended for permanent record.]

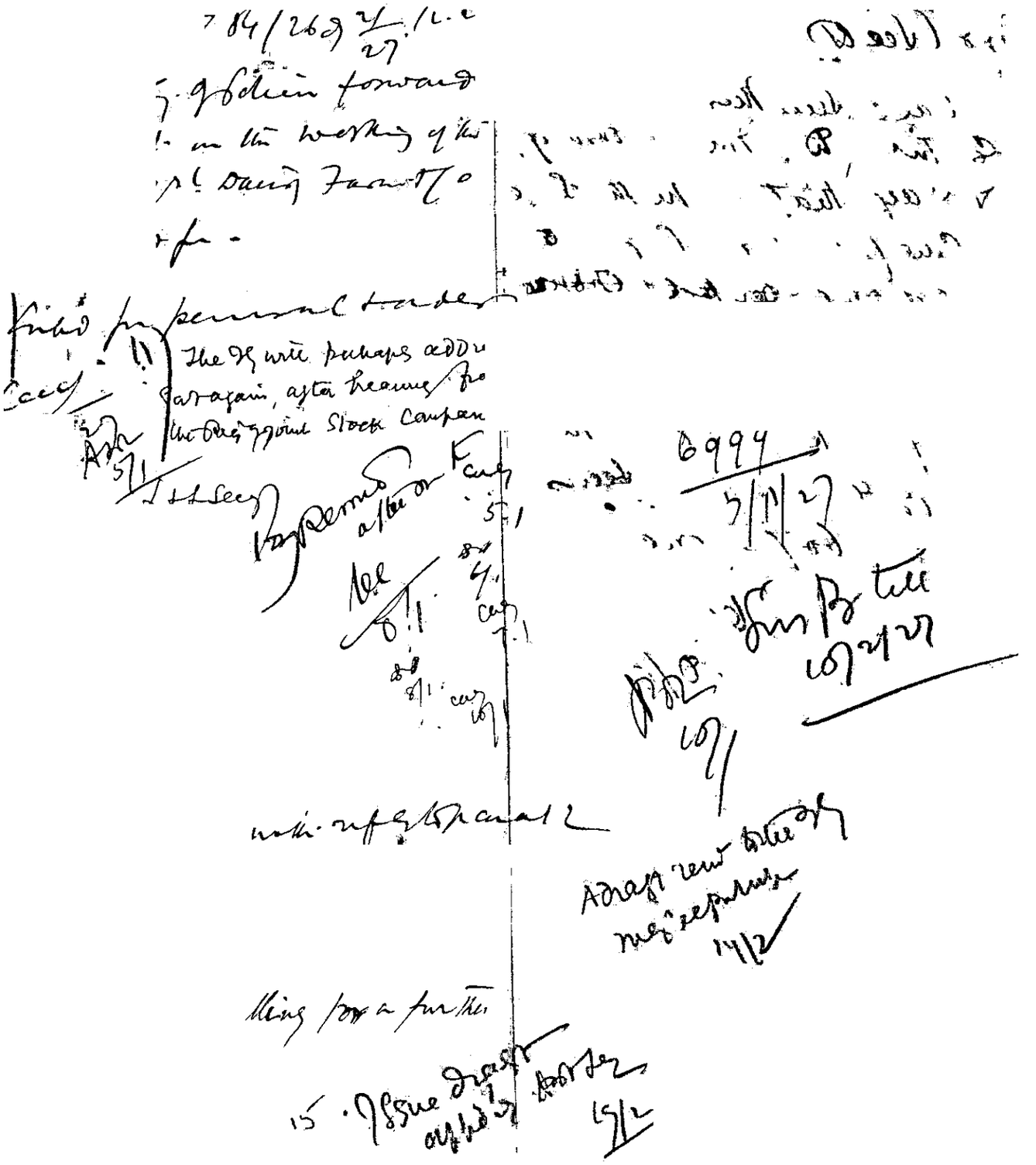


N.B.—Should routine notes be written to one the notes must be copied, or this form.

G.R.S. III—3]

Routine Notes.

[To be used only for notes, requisitions, etc., not intended for permanent record.]



V.B.—Should routine notes be written on small slips, the notes must be copied, or slips pasted on this form.

have to be taken in the Dept
after proposals are received from the
Registrar of Joint Stock Companies

As there is
nothing further to be done in the Dept
in this Branch, the papers may
either be filed or transferred to
the Development

Dept
27/3/18 Sales for removal.

The Registrar of Joint
Stock Companies has been
taking action in regard
to the many perhaps the

21 Mean point
with the
the point f

The main file in front
marked Herod. The point
for orders is the appoi
the Chief Inspector to investigate
into the allo

Routine Notes.

[To be used only for notes, requisitions, etc., not intended for permanent re

16) Draft to the Registrar
put up.
SW
4-3-24
SW D)

3rd M.)
Vide Members orders in para 17
Weekly Note No 7
No C 12/24-28 dt 4-3-24.
From, The Registrar of J.S.Co.,
Forwards 3 copies of the
Balance Sheet with the
Auditor's Report received from
the Mysore Agricultural Co-
operative Sale Co. Ltd, Mysore, & States
that the Balance Sheet as on
31st December 1923 & the audit
Report disclose the undesirable
State of affairs & suggests
appointment of an Inspector
under Section 158 (iii) to
investigate the affairs of the
Co. & the cost of investigation
being met by the Company
under Sec. 141 (3) of the Co's Rules
18) Submd for perusal & orders:—
19) As the report from the
Reg. of J.S.Cos has been since
received, the draft already approved
by the 3rd Member has not
been issued Submd

Routine Notes.

[To be used only for notes, requisitions, etc., not intended for permanent record.]

:der:

20) These papers refer to the numerous complaints received about the unsatisfactory working of a joint stock company known as 'The Mysore Agricultural Dairy Farm Co. Ltd. Mysore'.

21 The Reg^r of joint stock Companies has submitted a report on the existing position of this Company and on the several irregularities in the working of the concern. The I.G. of Police who had been requested confidentially to depute a C.I.D. Insp^r to examine the accounts of the Company, with a view to see whether any of their actions was criminal in nature, has reported after some enquiry, that the working of the Company is very unsatisfactory, & that it is desirable to have the accounts carefully audited by an Insp^r appointed

N.B.—Should routine notes be written on small slips the notes must be copied, or slips pasted on this form.

G. R. S. III—3]

ROUTINE NOTES.

[To be used only for notes, requisitions, etc., not intended for permanent record]

Mysore Companies Regn Thro' D
of joint Stock Companies. Gen
mentioning the facts of the case
& the action so far taken
him, in this matter, has been
invited that under Sec 188 (iv)
of the Companies Regn. the Govt
may appoint an Insp (who has
passed the G.D.A. or other similar
Exam & has experience in auditing
the accounts of companies) to investigate
the affairs of this Company.

22 The Regn recommendation may
be appd. (L.L. Secy may be pointed
& consulted)

Secy D) VC
12/4

23) L.L. Secy with compliments
for favour of opinion.

25/4

VC
25/4

26/4.

Should routine notes be written on small slips, the notes must be copied, or slips pasted on this form.

WD 1880—GPB—1,50,000—2-5-31

24) From the report of the Regn
it is abundantly clear that the balance
Sheet discloses unsatisfactory state
of affairs & ~~[illegible]~~ low borrowing power
& to appoint Inspectors under Sec 188

Please put up
off accts
KR
VC 24/4.
Secy Legal

ROUTINE NOTES.

[To be used only for notes, requisitions, etc., not intended for permanent record.]

draft is first up for

23) D(1·1ˢᵗ 2nd

28) Sec D; 10/5 11/5

13.5-29

14/5

In regard to your inter-
view into the affairs
Companies, the right
undertaken only when a
other similar offence is be
committed. ordinary mem
bers are matters for the
Shareholders, & ordinarily
if dissatisfied with the mana
should seek their remedy
Civil Court. If the pro-
in the Civil Court indicate any
offence on the part of the Company, then
I think an inspector should be appointed
but I cannot take - I don't think
we should act in a hurry on the
complaint of a discontented shareholder.
I think it is for [illegible]

N.B.—Should routine notes be written on small slips, the notes must be copied, or slips pasted on this form.

ROUTINE NOTES.

[To be used only for notes, requisitions, etc., not intended for permanent record.]

been carried by a body of shareholders.

31) should like the case with the

32) Discussed "The abstract might be E[illegible] from the [illegible] Name of [illegible] of the Nominee [illegible]"

CSH 22/7 Fin 22/7

3) A draft is put up. It is for orders if the draft (flagged 3) already put up as was ordered in para 25 at page may be withheld ...

35) Please Fin 20/7/27

G. R. S. 111—3]

ROUTINE NOTES.

[To be used only for notes, requisitions, etc., not intended for permanent record]

Dated 27-7-27.

To, The Registrar of Jt Cos

In Refce to Sl 6 enquiries the
name of a qualified man and
remuneration to be paid to

D.o. letter No C 12/27-28 d 19-8-27
from the Regr. of Jt. Cos recommending
Mr. V. Subbaramaiya, Retired
Controller & Certified Auditor,
may be appointed as an Inspector
in Mysore Agl. Dairy Farm on a
remuneration of Rs 200/- including
selling expenses.

Seeks's order on the letter :-
"Please put up dft Sg. (I believe
the appointment of an Inspr. has
been ordered by the Member.)"

(Sd) N. R.
19.8.27.

1. Put up for consideration
(Heard Refree to
Mr
24.8.27
Dev Skey)

GEN. & REV. SECRETARIAT.
19 AUG 1927
DEVELOPMENT BRANCH.

Serial No.

9. G.O. No D 2344-5 & 3.9.27

To, The Registrar of J.S. Cos.
The Comptroller to Govt.

Appoints Mr Y. Subba Ramaiya Inspector to investigate the affairs the Mysore Agrl. Dairy Farm Co. Ltd., Remuneration of Rs 200/- inclusive of travelling & other expenses as proposed by the Regr of J.S. Cos & directs under Sec 14 (3) that the Cost of investigation be arranged to be recovered from the Comp & requests to submit a report to Govt the Conclusion of the investigation

No C 12/24-28 & 19.9.27.

10 From, The Registrar of J.S. Cos.

With Refce to 8L & Requests the Return of the balance Sheet & the Auditor's Report forwarded with his office letter dt 4/12 Nr to be 8Lb.

40) Secty's order on the letter.-

41) "Send Memo"

Sub N.R.
19.9.27.

42) Draft Subd.

43) Issue

21.9.27

General and Revenue Secretariat. | File No. 15 of 1926.

Serial No.	
	No D 3112 & 22.9 27
11.	To, The Registrar of Jt. Cos With Refce to SL 10 returns the balance Sheets & the auditor's report relating to the Nelore Agricultural Dairy Farm Co Ltd forwarded with his letter Refd to in SL 6.

Serve with Refce to SL 9.

20-27

GEN. & REV. SECRETARIAT.
24 SEP. 1927
DEVELOPMENT BRANCH.

14	From. The Managing Director, the Nellore Agricultural Dairy Farm Company Ltd Basavangudi. Bangalore City. No 5760 / 28, 15. 3. 1928. States that a Copy of the Resolution of the Share holders passed in their Second Annual General meeting held on 10-10-1927 was submitted through the Registrar of Joint Stock Companies and requests to be intimated as to the action taken by the Government in the matter. 44) The above mentioned Resolution has not been received. The Report from the Registrar, on the Conclusion of the investigation instituted against the

General and Revenue Secretariat. 7880 File No. 15 of 1926.

Serial No.	
	Company is still awaited.
A	45) This may perhaps be referred to the Registrar of Joint Stock Companies, for disposal 46) Submitted for orders. CBR 20/3
	46) A. Yes, in conn; and remind the Regr about the report which is due from him. WP 28/3
	47) Submitted with a draft to the Registrar of Joint Stock Companies, for approval CBR 31/3 47) Issue WP 3/4
15	To The Registrar of Joint Stock Companies No. D 10892 of 12.4.28 Forwards for disposal a copy of letter No. 5460 of 15.3.28 from the Managing Director of the Mysore Agricultural Farm Coy. Ltd., and invites reference to G.O. in cl. 9 of 3.9.27 and enquires when the said report may be expected in this office

REV. SECRETARIAT
13 APR. 1928
DEVELOPMENT BRANCH

NOTE.—Continued on blank sheet

General and Revenue Secretariat. J. S. File No. 15 of 1926.

Serial No.	
16.	From. The Registrar of Joint Stock Companies C 12/27-28 dt 25th April 1928 States that the report on the investigation of the Affairs of the Mysore Agricultural Dairy Farm Co, Ltd, has not yet been received from Mr T. Subramaniah, the Inspector, that the report will be submitted as soon as it is received from him, that the Copy of the Managing Director's letter together with Copies of its Enclosures has been sent to Mr Subramaniah and that the Managing Director has been informed that the resolution is under consideration 49/ Submitted for kind perusal.
50/ Yes.	May the report be awaited. CBR 28/4. Sec'y D) 30/4 30/4 2 5 28

Sir "A"

GEN. & REV. SECRETARIAT
2 - MAY 1928
DEVELOPMENT BRANCH.

9893

App. F. III—2]

General and Revenue Secretariat

File No. 15 of 1926.

Serial No.

17 From
The Registrar of Joint Stock Companies
No C 12/27-28 dt 23rd May 1928
Submits a copy of letter dt 7-5-1928 together with a copy of its enclosure received from Mr Subramaniah and states that after the receipt of the detailed Report, it will be submitted to Government with his proposals.

51) Remarks of the Secretary in the P.W.D.

52) Submitted for information
Attention is respectfully invited to para 5 of enclosure, which summarises the results of investigation"

(Initd) M.R
25-5-1928.

53) Orders of the Third Member on the P.W.D

54) "Seen"

(Initd) C.S.B 28/5/28

55) Submitted with a reminder for approval
UBR 28/7

56) Issue
WG
28/7

Issued No. 1218 dt 1-8-28.

1634

App. F. III—2]

General and Revenue Secretariat.

P.S File No. 15 of 1926.

Serial No.	
18	From ~~the~~ The Registrar of Joint Stock Companies C 12/17-28 dt 4-8-28 Forwards Copies of letters dt 10-7-1928 and 6 ust 1928 received from Mr T. Subramaniah together with his detailed report on the affair of the Mysore Agricultural Dairy Farm Co Ltd
57)	Remarks of the Secretary on the P.W.D A 29 "A dozen Copies may be printed" (Sgd) N.R 22-8-28
58)	Orders of the First Member on the P.W.D 1.0) "Please let me see previous reference" (Sgd) M.N.R. 23/8.
61)	Submitted with references CSR 27/8. — First member) MR 27/8
62)	A. Appd mes 25.8.28 28 8 28 MR 29/8
63)	Submitted with A draft for approval. CSR 1/9 64) Secn MR 3/9

MYSORE SECRETARIAT
28 AUG. 1928
No. 1397

WD 01714—GPB.—30,000—18-4-28

1684

16)

App. F. III—2]

General and Revenue Secretariat. | J·S File No. 15 of 1926.

Serial No.	
19	To The Registrar of Joint Stock Companies D 2797 / Encl. one file. J.S. 15-26-19 dd 5-9-19 States that Govt approve ~~of Your~~ his suggestions to printed a dozen copies of the report. 65) Resubmitted after verification.
	66) Kind reference is invited to Sub Section 3 of Sect 141 of the Companies' Regulation, laying down All expenses of and incidental to the investigation shall defrayed by the applicants unless the Govt direct the same to be paid by the Company. The Regr Joint Stock Companies suggests that the cost an of the printing may be met by the Company. It i order whether the suggestion of the Registrar may approved or the cost be defrayed by the Company 67) A draft is submitted for approval or for other o CBR. 7/9. 68) Dft may be appd. Sec'y D) 8/9
8/9	1st Member 69) Mem 70) Issue

Flag "E"

OFFICE OF THE
REGISTRAR OF JOINT STOCK COMPANIES
8 SEP. 1928
No. 1663.

8

8/9

10/9

17)

App. F. III—2]

General and Revenue Secretariat.

Y-J File No. 15 of 1926.

Serial No.	
20	To The Registrar of Joint Stock Companies D 3259 / J.S 15-8-20 dt 15-9-1928 States that the cost of printing the Report was met by the Company.

GEN. & REV. DEPARTMENT
2 - OCT. 1928
DEVELOPMENT BRANCH.

21	From The Registrar Of Joint Stock Companies 6 12 / 27-28 dt 5-2-1929. Encloses 6 printed Copies of the Report of Mr T. Subbaraman on the investigation of the Affairs of the Mysore Agricultural Dairy Farm & Ltd And States that Prosecutions will be Launched Against the Company, and requests that the Police Department may be Addressed in the Matter of further investigation for taking necessary legal action in the Matter and that the Legal Remembrancer may be Consulted in the Matter and the Police Department asked to take further action 71) Submitted with References And A Copy of the Report of Mr Subbaramiah. 72) The Legal Remembrancer may perhaps be Consulted in the Matter. Submitted for orders 73) L. R. may be consulted CRR 22.2.29 Secy 17/2 74) On what points ? Please note more fully

WD 01714—GPB—30,000—18-4-28

General and Revenue Secretariat. File No. of 192

Serial No.

75) With reference to para 74), Page 17, Kind reference is invited to the brief list of Offences Committed by the Company under the Hyne Companies Regulat (Mr T. Subbaramiah's Report). The Registrar requests Approval to prosecute the Company under all the S of the Regulation mentioned in the Report of the Inspector. ~~for decision to Submit~~ the Opinion that Legal Remembrancer also may be obtd.

76) The points for Consideration And Orders Are:-

1) Whether ~~Prosecution have to~~ it is desirable to launch A the Company under all the Sections of the Regul mentioned by the Inspector in his report.

2) Whether the Police Dept. ~~has to~~ may be addressed the matter of further investigation (~~for~~ of the case in vi taking legal ac against the Company, for publishing a notice Cont Matter relating to a lottery. For a Similar Offence Scheme amounting to lottery) preliminary investigat were instituted against the All India Mutual Aid & I Association Ltd. Under Section 294(A) I.P.C.

3) As regards certain irregularities in the ~~Entries~~ entries of the Cash book, a further report is ~~expected~~ Submitted for orders

77) Refer:— para 74.

CBR 28/2 C.O.

Secy

Cir 1.3.29

78) L.T. with compliments for favour of Opinion.

4/3/29

Serial No.

79) According to the provisions of S. 196 of the Cr. P. Code, as amended by Reg. VI of 1922, it is the duty of the Police who has to investigate into an offence under the Companies Act to assist the Registrar of Joint Stock Companies who has to enquire into the affairs of the Company in the matter of any offence committed under S. 294-A of the Act.

A

80) Mentioning false statements in the Balance sheet is a very common offence. If, as a matter of fact, the Balance sheets contain false statements with knowledge of the same, the persons who have signed the Balance sheets may be prosecuted under S. 282 of the Company's Act.

B

81) A Complaint of an offence under the Company Law may be preferred by the Registrar or by any person authorized by him.

Do. in 25

Do. with Comptr. 2

5/4

82) The Regr will be written to as at A x B

A

1st Member 83) A. Yes 6

7.5.29

GOVT. OF INDIA REV. & AGRI. SECRETARIAT. 27 APR. 1929 DEVELOPMENT BRANCH.

OFFICE OF THE FINANCE COMMITTEE 7 MAY 1929 No. 6925

NOTE Contn. sheet

7/5/29

General and Revenue Secretariat | U. S. File No. | of 1926

Serial No.

1

84) Submitted with a draft for approval in reference to paras 82+83).

CPR
10/5 D.O. 10/5 opn: for approval

Secy O

Issue

17/5-29

Cir. 17/5..

23. No. Regr. J.S. 12296 of 25-5-29
Requests him to address the Regt Govt on investigation & if the balance sheet false sheets a Complaint may be lodged

These papers have been lying on the records shelf for a long time. No action now appears to be necessary. May these files be therefore recorded

25/10

Yes
25/10

GEN. & REV. SECRETARIAT
25/10
3
DEVELOPMENT BRANCH.

Confidential

Section

File No.

Serial No

No. P 5540

To The D.G. of Obs

Diary No. of letter replied to.....

General and Revenue Secretariat

( )

the 192

Date of issue 29/9/26

Signed by.....

They may perhaps be useful

Sir, I am directed to ~~[illegible]~~ with your allusion to the adver~~[illegible]~~ ments appearing (in the Hindu ~~[illegible]~~ of the 20th Sept 26 (page 1. col. 1) and Bombay chronicle of the 22nd inst. (2nd page 1st col.). calling agents on high salaries by a Company calling itself the Kaiyan Agricultural Dairy Farm Co'. ~~Mr's enquiries~~ appear to be advertisements purely fraudulent ones - ~~[illegible]~~ eminating perhaps from the Kaiyan ~~[illegible]~~ Farm Co. I am to request you

List of enclosures.....

Copied by.....

Examined by.....

over

[illegible] as might be necessary
enquiries in the matter
with the C.I.D. and see if
any action is required
~~[illegible]~~
and to be
~~[illegible]~~

[illegible]

[illegible]

[illegible]

APP. F. VI. Gl.]

BJECT.....

.....

.....

Confidential

Section Police

File No.

Serial No.

No. P 1577 (1)

To

The Dy Superintendent of Police

Diary No. of letter replied to.....

General and Revenue Secretariat

( )

the 192

Date of issue 2/10/26

Signed by.....

Sir, In continuation of this office letter No. P 1540/VI-A-29-9-26 to the Mysore Agricultural Dairy Farm Co. Ltd., I am directed to forward herewith for your information a letter addressed by the said Company to one Devare an applicant for the post of Branch Secy. in that Company for your information and to state that with some careful handling it should be possible to get sufficient evidence for booking this Company which seems a bogus one.

This may be treated as Confidential

over Dharwar Dt

List of enclosures.....

Copied by.....

Examined by.....

WD 01265—GPB—31,000—24-12-25

Case 20/9/26.

2/10 Dy. Sup. Dpty

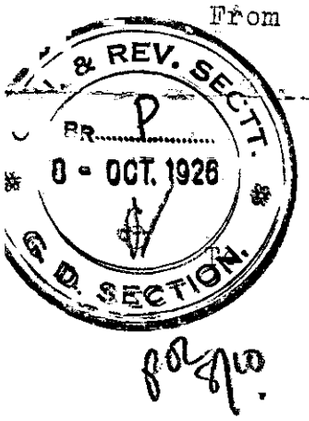
17156

Confidential.

Office of the

No. C.784/26 Inspector General of Police in Mysore

Dated Bangalore 5th October 1926.



From

P. F. Bowring, Esqr. J.P.,

Inspector General of Police in Mysore

Bangalore.

B. Nagappa, Esqr., Bar-at-law.,

Secretary to the Government of Mysore,

Local & Legislative Departments.

Bangalore.

Sir,

With reference to your letter No.P. 1577/Police dated 2nd instant forwarding a letter addressed by the Mysore Agricultural Dairy Farm Ltd., to one Mr.Devaraj an applicant for the post of a Branch Secretary, I have the honor to request you to kindly send the envelope in which the letter was sent ~~in~~ to Mr.Devaraj so that we may know where it was posted.

I have the honor to be

Sir,

Your most obedient servant

Inspector General of Police

Section Adm

File No.

Serial No.

Diary No. of letter replied to.....

Camp No. 961.

General and Revenue Secretariat

( )

the *192*

To

Resident

Sir,

Date of issue 17/10/1926

Signed by...

With reference your letter cover
dy 5.10.26 requesting to forward
the envelope in which the letter
cond. by Mr Devaraj to this Agency
Diary form this, I am directed
state that the cover is not preserved
~~in the Camp Office~~

I have the honour to be,
Sir,
Your most obedient servant,

t of enclosures.....

Copy
16/10/26

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over

WD 01265—GPB—31 000—24.12.25

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Office of the Inspector General of P
in Mysore,
Dated Bangalore the 21st December 19

From

P.F.Bowring Esquire, J.P.,
Inspector General of Police in Mysore,
Bangalore.

B.Nagappa Esquire, Bar-At-Law,
Secretary to Government, Local and
Legislative Departments,
Bangalore.

No. C.784/26.

Sir,

With reference to your letters Nos.P.1540 dated 29-9-26 and P.61 dated 17-10-26, requesting that necessary enquiries may be instituted through the C.I.D regarding the working of the Mysore Agricultural Dairy Farm Company Ltd, Mysore, I have the honor to forward herewith a copy of the detailed report submitted by the C.I.D Inspector Mr. D.Seshagiri Rao, who was deputed to make confidential enquiries. The company has been registered under the Companies' Regulation, and there is no specific complaint from any aggrieved party showing the commission of a cognizable offence. Hence the books, accounts and references etc, maintained in the Head Office of the Company were not open for inspection and scrutiny by the C.I.D Inspector.

The Inspectors appointed under the Companies' Regulation are inherently invested with all powers to investigate thoroughly into the accounts, references etc., and into the affairs of the Company. It is for the Registrar of the Joint-Stock Companies to make out a case for the appointment of Inspectors under the Regulation. A closer examination of the accounts and other documents maintained by the Company is necessary for the the institution of criminal proceedings and the successful

prosecution of the case.

I have therefore sent a copy of the report of the C.I.D. Inspector to the Registrar of the Joint-Stock Companies and have requested him to intimate what further action he proposes to take in the matte

I have the honor to be,

Sir,

Your most obedient servant,

Inspector General of Police.

Confidential

THE MYSORE AGRICULTURAL DAIRY FARM CO.,Ltd

MYSORE, comprising

THE LIVE-STOCK COMPENSATION BUREAU.

The Company was started in May 1924 and commenced work in August 1924. It was registered under the Companies Regulation in July 1924. Mr. V.K.Lakshmana Mudaliar is the principal organise of the Company, which is floated on share capital, and the Company was being managed by the firm of Messrs. V.K.Lakshmana Mudaliar & Co., consisting of Messrs V.K.Lakshmana Mudaliar, S.Sundara Rao (an Advocate of Mysore) and K.Ramanna, a Mechanic. Of these Messr S.Sundara Rao and K.Ramanna left the service of the company in Apr 1926 and in November 1925 respectively; and the Board of Directors have selected one among them by name Mr. J.Shankarlal as the Managing Director to manage the affairs of the company along with the form of Messrs V.K.Lakshmana Mudaliar & Co.

The shares of the company and the Insurance of the Live-stock, as also the Security Deposits of the Company's Agents are the main sources of income to the company. The company professes to do business in Live-stock Registration, Dairy Farms, Agicultaral operations and grant of loans for agricultural dairy purposes. The operations and activities of the company extend to the Presidencies of Bombay and Madras in addition to the Mysore State. Chief Agents, District Agents and Sub-Agents, as also Agricultural Inspectors are appointed by the company in different parts of the two Presidencies of Bombay and Madras and the Mysore State to advertise, popularise and advance the business of the company.

Shares and Share-capital:- The authorised capital of the company in the year 1924 was Rs. 50,000, consisting of 5000 shares of Rs. 10/- each; and in the year 1925 this was raised to Rs. 100,000, divided into 10,000 shares of Rs. 10/- each. The actual amount received by the company on paid-up shares till 31-12-1925 was Rs. 18,964-9-0, besides Rs. 2083/-, being the total of the calls receive in advance.

Live-stock Registration:- The numbers of animals registered up to 31-12-1925 was 1755, and this has increased to 1907 by October 1926. The total amount of premium received up to 31-12-25 on Live-Stock Registration was Rs. 6877-5-0, together with Rs. 231-4-0 as certficate-fee on the registration of animals.

Security Deposits:- The total amount of the Security Deposits received from the agents up till 31-12-1925 was Rs. 16123-15-0. But this being a liability to be met by the company on demand by the concerned Agents, it has to be invested in some Bank or other to meet any unforeseen demand that may arise at any time, and cannot be used as working capital.

Dairy Branch:- As an experimental measure the Dairy depots at the following places were opened during the year 1925 for the sale of Dairy products, such as milk, curds, butter, ghee, etc,. with an outlay of Rs. 8073-9-5.

1	Indian Dairy	attached to the Head Office on 20-3-25.
1	English Dairy	attached to the above.
1	do	at Hole Narasipur.
1	do	Chennarayapatna.
1	do	Kyathanahalli.
1	do	Kumbarkoppal.
2	do	Bangalore (Dairy Farms.)

Total 8 Dairy Depots.

Of these it is Depot attached to the Head Office that appears to have done some work. It was closed in April 1926 for causes to be explained hereinafter.

Agricultural operations:- Mr. V.K.Lakshmana Mudaliar owns an indigo estate at Kergahalli. In virtue of the provisions made in the prospectus and the Memorandum and Articles of Association, the Dairy Farm Co, entered into an agreement with him, whereby the company had to take the lease of the land and also to take the existing stock-in-trade of the said Estate. The lease deed was executed and registered; and an advance of Rs. 720/- was paid to Mr. V.K.Lakshmana Mudaliar. Subsequently a Committee of Directors appears to have visited the Estate and reported that there were gross misrepresentation and exaggeration of the facts and figures on the part of

of Mr. V.K.Lakshmana Mudaliar, and that the property was not worth the stipulated lease amount. It is also learnt that after execution and before registration, MR.V.K.Lakshmana Mudaliar tampered with the lease deed and altered its terms in material parts to suit to his advantage; and that the Directors, who discovered the forgery, have recorded the fact in the minute of their proceedings. The result was that the Directors wanted to rescind the contract; and Mr. V.K.Lakshmana Mudaliar would not easily be pursuaded to let go the advantage he had gained. The Directors had to agree to write off the advance of Rs. 720/- paid to Mr. V.K.Lakshmana Mudaliar and to grant him a loan of Rs. 5000/- on the security of the seniorage commission on the live-stock registration to be earned by him in the years to come. Of this loan he has already drawn Rs. 1375/- in instalments. The lease-hold of Keragahalli Indigo Estate was thus by mutual consent -- dropped off, as well as that of acquiring the existing stock-in-trade of that Indigo Farm.

Subsequent to this, a plot of land in the Hunsur Taluk, belonging to one Boramma, wife of Kenchiah, was negotiated for being purchased at a cost of Rs. 5000/-; and a sale deed for Rs. 5000/- was executed and registered. Later on the Sub-Committee inspected the land, and in their resolution dated 4-11-25 reduced the price of the land to Rs. 2800/-. There is no fresh sale deed for Rs. 2800/- executed by the party, who is said to have consented to the reduction of the sale amount; and there is no voucher obtained from the party for the receipt of the amounts of Rs. 2030/- and Rs. 110/- debited on 9-6-25 in the Ledger account.. As against this payment of Rs. 2140/- indicated in the Ledger Account, the certified balance sheet for the period ending 31-12-25 shows an expenditure of Rs. 2504-2-0 against this landed property. It is learnt that this plot of land was purchased by its original owner for a sum of about Rs. 400/-; and that the -- transaction connected with the purchase of this land, which was conducted by Mr. V.K.Lakshmana Mudaliar, is circumvent with suspicion. It is also learnt that the party got no money for the sale of this plot of land, but that some shares of the company were allotted to him. A close investigation into this transaction may disclose of

: what material Mr. V.K.Lakshmana Mudaliar, the principal organ-
iser and the guiding star of the company, is made of.

There is another incident connected with this land, which
ay as well be disposed off here alone. Some trees, which were on
portion of this land, were felled down and charcoal prepared at a
cost of Rs. 110-5-0, of which Rs. 54/- worth of charcoal ~~were~~ was sold and
the stock on hand was balanced at Rs. 56-5-0. Thus the total value
of the charcoal sold and in stock is shown in the profit and loss
account of 31-12-25 as Rs. 110-5-0, which is just the amount of expen-
diture incurred as making charges. What could have been the value
of the wood used for making charcoal and the quantity and cost of the
charcoal that was actually prepared, may well be visualised. It is
passing strange that when the trees owned by the company were used
free of cost for the purpose, the charcoal preparedd was exactly of
the value of the making charges incurred. Trifle as the circumstance ma
appear to be, it may bear clear indication as to how the managing
authorities are conducting the business of the company and how the
interests of the share-holders are secure in their hands.

Agicultural Loans:- The Report of the Directors dated 16-6-26 ap
appended to the balance sheet and the profit and loss account for
the period ending 31-12-25, will show that loans to the extent of
Rs. 1930/-.were granted on approved securities during the year 1924,
and the loans under this head rose up to Rs. 4462-6-0 in 1925. It has
already been mentioned in the preceding paragraph how Mr. V.K.Lakshmana
Mudaliar succeeded in getting a loan of Rs. 5000/- from the company
before the lease-hold of his Keragahalli Estate was cancelled, and he
has already drawn Rs. 1375/- out of it. This amount is included in the
total amount of Rs. 4462-6-0. It is also learnt that there are some
other items of loans for which bonds are not forthcoming, and that
some loans are not supported by any sanction accorded by the
Directors. It seems that there is no bond for the loan of Rs. 100/-
given to one Mr. M.S.Srinivasa Rao; and that both the bonds and the
sanction of Directors are wanting for the loans of Rs. 300/- each,
paid to one Mr. Rajam Iyengar and the company's Inspector at

at Chennapatna. Mr. Rajam Iyengar also appears to be the company' Inspector at Kolar. So far I am able to collect information till now,the loans under this head are granted mostly to company's servants,who do not conduct any agricultural operations or run any dairy farms..

Audit of accounts and the General Meeting of the Share - holders:- Clause 56 of the Memorandum and Articles of Associatic of the company in conformity with section 77 of the Companys' Regulation, lays down that the statutory meeting of the company shall be held within six months from the date,the company is entitled to commence business. Clause 57 declares that the Genera Meetings of share-holders shall be held once in the year 1925 and in every subsequent year. Before the General Meeting is called the accounts of the company should be audited by the Auditor appointed for the purpose; and the certified balance sheet and the profit and loss account should be circulated among the share- holders along with the report of the Directors, with due notice (the time and place of meeting.

The company started its business in August 1924 and the statutory meeting was held in January 1925. The General Meeting of the share-holders ought to have been held before the close of the year 1925. But the Managing Authorities would appear to have made no earnest attempts to comply with the obligatory provisions of law, till after the close of the first quarter of the year 192(In April 1926, however, Mr. G.V.Eswariah, the auditors appointed for the company, audited the accounts and drew up the profit and loss account and the balance-sheet for the period ending 31-10-2(But Mr. Eswariah did not certify to the correctness of these. The information available is,that for the ordinary fee fixed for the auditor, he would not take the risk of certifying to the correct- ness of the accounts and demanded more than what the Directors were prepared to pay. He does not also appear to have submitted his report on the audit. This uncertified profit and loss account and the balance sheet together with the report of the Directors

dated the 2nd May 1926, were printed and circulated among the share-holders, fixing the 12th May 1926 as the date of the General Meeting. But no meeting was actually held until the Registrar of the Joint Stock Companies after his inspection in July 1926, wrote to the Managing Agents warning them for the violation of the obligatory provisions of law, and called for the copies of the certified balance sheets and Directors' report etc. Then Mr. A.Narasimah Murthi, the retired Assistant Comptroller and certified auditor, who was engaged for the purpose by the company, audited the accounts and drew up certified balance-sheet and profit and loss account, for the period ending 31-10-25. He was again asked to continue the audit upto 31-12-25. A printed copy of the profit and loss accounts and balance-sheets thus drawn up and certified by him on 9-9-26, together with the report of the Directors dated 16-9-26, has been secured by me and enclosed herein for reference, as also the uncertified balance-sheet and profit and loss account of Mr. G.V.Eswariah. The balanc sheet and the profit and loss account for the period ending 31-10 drawn up by Mr. A.Narasimah Murthy, was not printed and circulate among the share-holders, and in consequence is not available for o reference.

The profit and loss accounts and the balance-sheets dra up both by Messrs. G.V.Eswariah and A.Narasimah Murthy, are from the dated of the commencement of the business of the company. The audit of Mr. A,Narasimah Murthy only covers the two extra months of November and December 1925. The balance sheet of Mr.G.V.Eswari accounts for a total sum of Rs. 45,742-12-8 as against Rs. 47,321-15- or an excess of Rs. 1579-2-5 taken into account by Mr. A.Narasimah Murthi. A close scrutiny and comparison of the various heads of accounts, as indicated in these two sets of profit and loss accoun and balance-sheets, may show roughly an additional income of about Rs. 3553-15-11 and an expenditure of about Rs. 1508-11-11 for the months of November and December 1925. But the profit and loss account of Mr. A.Narasimah Murthi for the period ending 31-12-25 shows

shows a total expenditure of Rs. 18050-2-5 incurred and a nett loss of Rs. 9966-3-6, as against an expenditure of Rs. 23,580-11-11 and a nett loss of Rs. 22,673-10-1, shown in the corresponding account of Mr. Eswariah for the period ending 31-10-25. Thus the account of Mr. Narasimah Murthi shows an apparent decrease in the totals of expenditure incurred and the nett loss sustained by the company, though as a matter of fact, the additional expenditure and the lo during November and December 1925, should have swelled the totals under these two heads. A comparitive study of the two sets of accounts drawn up by two different auditors, may disclose by what process Mr. A.Narasimah Murthi has not exposed to the share-holders the actual and true result of the working of the company and the huge loss sustained by it in the way of working expenses etc, within a period of about 16 months after it started its business.

Profit and Loss Accounts:-

The following tabular statement shows the profit and earn ings of the company, as indicated by the two auditors in their accounts:-

Particulars	Up to 31-10-25	Up to 31-12-25
1. Gross profit brought down from trading account	Rs. 477-14-2	Rs. 705-0-3
2. Interest earned	" 123- 1-8	" 136-9-0
3. Rent earned	" 67- 0-6	" 67-0-6
4. Sale proceeds of the Memorandum & Artcles of Asso-ation	" 23- 6-0	" 46-12-(
5. Lighting charges	" 7-13-4	" .....
6. Advertisement charges	" 2-12-0	.....
7. Stock of stationery	" 200- 2-2	.....
Total	Rs. 902- 1-10	" 955-5-9

The value of the stock of stationery on hand has been taken into account by Mr. G.V.Eswariah, but omitted by Mr.A.Narasimah Murti who has however shown the amount of Rs. 2577-14-5 against this head in the balance-sheet only, instead of in the profit and loss account, also, as was done by Mr. Eswariah. By omitting this item in the account of Mr. Eswariah also, it will be seen that

the profit made by the company up to 31-10-25 was Rs. 701-15-8, as against Rs. 955-5-9. made upto 31-12-25, or a difference of Rs. 253-6-1 This small increase in the profit earned cannot appreciably reduce the huge loss sustained by the company till 31-10-25. How the loss really been reduced can be seen from the following.

The total expenditure up to 31-10-25 shown by Mr. Eswaria is Rs. 23,580-11-11, whereas up to 31-12-25 Mr. Narasimah Murthi ha shown an expenditure of only Rs. 18030-2-3 or Rs. 5550-9-8 less. The enclosed statement-A shows the items of expenditure incurred as exhibited in the profit and loss accounts of the two auditors. It could be seen therefrom that against the head "Value of printed literature and Stationery used up " (item 12) Mr. Narasimah Murt has shown only Rs. 572-15-10 as against Rs. 2824-12-9 or Rs. 2251-12-11 less than what is shown by Mr Eswariah. Likewise there is a decre of Rs. 236-12-0 under advertisement charges (item 13), and a fall by Rs. 6/- under item 20 " Live stock Registration premium paid." The depreciation to the extent of Rs. 565-11-11 allowed by Mr. Eswariah is omitted by Mr. Narasimah Murthi, and the materials in use are valued at their cost price. The appointing charges of Rs. 3999/- ha also been omitted by Mr. Narasimah Murthi in his statement of expenditure. These items yield a total fall of Rs. 7059-4-10. It could also be seen from statement-A that the increase shown up to 31-12-25 in certain other heads of expenditure, aggregates to Rs. 1508-11-2.

1. The total expenditure shown in the profit and loss account drawn up by Mr. NarasimahMurthi	Rs.	18030-2-3
2. Add total of the reduced and omitted items	"	7059-4-10
Total	"	25089-7-1
Deduct the total of the increase	"	1508-11-2
	"	23580-11-11

is the total expenditure shown in the profit and loss account of Mr. Eswariah for the period ending the 31st October 1925. Taking therefore the total of Rs. 25089-7-1 as the actual expenditure incurred by the company up to 31-12-25 we can clearly trace how Mr. Narasimah Murthi has struck the total loss as Rs. 9966-3-6.

1. The total profit earned by the Company up to 31-12-25	Rs.	955-5-9
2. Premium on Live-Stock registration	"	6877-5-0
3. Certificate fee on do	"	231-4-0
4. Total reduction under the expenditure head	"	7059-4-10
5. Total loss shown in P & L account	"	9966-3-6
	Rs.	25089-7-1

Thus it could be seen that the premium on the Live-Stock registration, together with its certificate fee, added to the reduction in certain items of expenditure, has reduced the loss apparently from Rs. 22678-10-1 sustained up to 31-10-25 to Rs. 9666-3-6 balanced up to 31-12-25.

To maintain this apparent loss of Rs. 9666-3-6 in the balance-sheet also, the following adjustments appear to have been made. The premium on the live stock registration together with its certificate fee, referred to above, have been omitted by Mr. Narasimah Murthi under the head "Capital and Liabilities", thus reducing the total amount to be accounted for, by the sum total of these two items. Thus there remains only the third item of Rs. 7059-4-10, supra, to be adjusted and it appears to have been effected in the following manner:- It could be seen under the head " Capital and Liabilities" of this balance-sheet that a sum of Rs. 4666-8-0, being the appointing charges, has been used to reduce the liability of the company under the head "Security Deposit" from Rs. 16123-15-0 to Rs. 11457-7-0. Again the value of the printed Literature and Stationery in stock is shown as Rs. 2577-14-5 as against Rs. 200-2-2 shown by Mr. G.V.Esawariah or Rs. 2377-12-3 ~~less~~ more.

1. Appointing charges	Rs.	4666- 8-0
2. Excess value of printed matter and stationery in stock	"	2377-12-3
Total	Rs.	7044-4-3

Thus out of the total Rs. 7059-4-10, supra, Rs. 7044-4-3 has thus been adjusted, leaving a balance of Rs. 15-0-7 to be accounted for. It is not possible to determine how this balance has been adjusted by merely scrutinising the two balance sheets and without

fully going into the details of the accounts maintained in the Company. There are fluctuations under the other heads of the Capital and Liabilities and the assets. Moreover it could be gathered from the report submitted by auditor Mr. Narasimah Murthi that certain totals shown against some of these items do not accord with the details furnished in the Accounts. With regard to the items of Rs 7048-7-0 and Rs 3160-10-1 shown in the balance sheet, Mr. Narasimah Murthi observes in his repor that these totals do not tally with the lists of sundry Debtors and Creditors., and that no acknowledgments have been taken from the Sundry Debtors of the Head Office and the Dairy Branch He has also noticed a difference of Rs 736-12-8 between the Head Office debits to the Dairy and the Dairy credits to the Head Office. There is reliable information available that when the Dairy Manager Mr. K.Ramanna ceased to be in charge of the Dairy on 18-11-25, he did not hand over the cash on hand amounting to Rs 700/- and odd. My information is that the total defalcation in the Dairy Branch comes to about Rs 2000/- In regard to the cash on hand Mr. Narasimah Murthi observes that he was not furnished with the pass-books to enable him to verify if the amounts shown in the company's accounts as having been deposited in certain Banks and Co-operative Societies, accorded with the amounts indicated in the concerned pass-books. He has besides drawn up one list showing the items of cash payments for which there were no vouchers or other authorities, a second list showing the differences between the amounts shown in the books and those indicated by the concerned vouchers, and a third list showing the irregularities found in the Dairy Accounts in the course of his audit. I am not in possession of these lists, and the balance sheet and the report of the Auditor, bear no indication how the various differences found, were adjusted by him. In para 3 of his report he refers to a certain statement of Receipts andExpenditure, which showed the Ledger balances under various heads, and adds that the scope of

of his audit was based on that statement. It is usual for all Banking and similar concerns to prepare a statement of receipts and payments, classified under different heads, and to draw up a provisional balance sheet and profit and loss account for scrutiny by the auditor, and to offer such explanations as may be necessary or called for by the Auditor. This procedure appears to have been followed in this instance also.

These are the various factors that complicate and cloud the issue as to how this small difference of Rs. 15-0-7 has been adjusted. Anyhow we may take Rs. 25089-7-1 as representing the total expenditure incurred by the company from its commencement upto 31-12-25.

Before proceeding to the next point, it may be necessary to consider if the adjustments made in the Profit and Loss Acct. and the balance-sheet drawn up by Mr. Narasimah Murthi, are quite in order.

(a) Premium on Live-Stock Registration and its Certficate Fee totalling to Rs. 7108-9-0 :- In the Profit and Loss account the full amounts got under these heads, are taken as profits earned by the company, and used to wipe off the loss sustained by the company. The opinion of the Actuary is not taken in the first place to do this, and no provision is made to make payments for death-calls that may arise in regard to the animals already registered. Rule 5-A at page 6 of the Appendix to the revised Prospectus issued by the company under the head " Premia Reserve Fund " declares that " the company shall set apart a certain amount out of the total collection of the subscription in each year. The interest or profits earned by investment of the said amount will be divided only to qualified share-holders once in every 3 years as Bonus payable on maturity of the certificate or on endowment." Qualified share-holders is defined as one who holds the Live-stock certificate for full three years. It is more than two years since the company commenced business and began to register animals. The Bonus payable on some of the animals registered early, falls due next year; and no reserve fund is set apart

as required by this rule.

Again in a kanarese notice printed and published by the company, the public are informed that for persons who purchase 5 shares and 10 shares of the company between 26-6-24 and 15-7-2 100 prizes of Rs 100/- each, and 50 prizes of Rs 250/- each respect would be awarded within five years at the rate of 20 prizes of each and 10 prizes of Rs 250/- each, during each year commencing from 1925 and by casting lots, and that 15 per cent of the subscript collected on Live-Stock registration, would be set apart to meet this expenditure. According to this notice 100 persons subscrit for five shares each, and who eventually pay only Rs 50/- on 5 shares, would get Rs 100/- as prize; and that 50 persons likewise purchasing 10 shares, would each get Rs 250/- as prize for payir Rs 100/- on 10 shares. Attracted by this prospect of earning the double or triple benefit in addition to the company's shares, many have subscribed for 5 shares and 10 shares. The company ha also issued tickets serially numbered to such subscribers under the signature of Mr. S.Sundara Rao, Managing Agents. The audit by Mr. Narasimah Murthi was in September 1926; and according to the notice and the terms of the tickets issued, there should hav been already two drawings one in 1925 and another in 1926. Copi made by me out of the printed notice and ticket held by one of such subscribers, are herein enclosed for kind perusal. I could not get spare printed copies for reference. Despite the hopes so held out by the company, it is seen that no portion of the collection made on Live-Stock registration, has been set apart to meet this call, and the full subscription and certificate-fee have been utilised for wiping off the loss. Either the Managing Authorities of the company never intended to fulfil the hopes they held out to the Live-Stock Certificate holders or to share-holders, who were probably induced to subscribe by such hopes, or when the loss sustained by the company accumulated to alarming figures, without regard to the Actuary' opinion and to the fulfilment of their promises to the sub-scribers, they utilised the total subscription under Live-

Live-Stock registration to apparently lower the loss.

(b) Printed Literatur and Stationery in stock, Rs 2577-14-5:-

In the Profit and Loss Account drawn up by Mr. Eswariah up to 31-10-25, he has shown Rs 2824-12-9 and Rs 200-2-2 as the value of the printing and stationery used up and in stock respectively, as against the corresponding figures of Rs 572-15-10 and Rs 2577-14-5, shown by Mr.A.Narasimah Murthi. The totals of the printed matter and stationery used up and in stock, will be Rs 3024-14-11 up to 31-10-25 and Rs 3150-14-3 up to 31-12-25, showing an increase of Rs 125-15-4. Assuming that this extra cost was met during the months of November and December 1925, the stock on hand at the end of December 1925 could at the most be what it was at the end of October 1925 i.e, of the value of Rs 200-2-2 plus the additional purchase of the value of Rs 125-15-4 or a total of Rs 326-1-6. Though Mr. Eswariah has not certified his balance shee yet the Office Managing Agent Mr. S.Sundara Rao has on 12-4-26 certified that this balance-sheet of the Head Office is true and correct to the best of his knowledge and belief. Moreover this Balance-sheet shows that the Managing Agents themselves valued the stock at Rs 200-2-2. Thus there are clear and unmistakable indications that as against this minimum value of Rs 326-1-6 the highly inflated figure of Rs 2577-14-5 has been inserted in the Balance-sheet of Mr. A.Narasimah Murthi, evidently to wipe off partly the huge loss disclosed by the audit of Mr. Eswariah. My information is that the so called printed Literature and station ery balanced at Rs 2577-14-5, comprises of no more than the Adver tisements, phamplets, notices and forms etc, necessary for the working of the company, and in the market they are worth nothing more than their value as waste-paper. There is nothing in the prospectus and the Memorandum and Articles of Association to permit the distribution of such expenditure incurred to years subsequent to the one in which the cost was met. Moreover the stock shown is unreal; and it betrays a clear attempt to distribute the loss to subsequent years without giving any clue to the share-

holders., and to keep them ignorant of the actual and real state of affairs of the company and of the net result of its working up to 31-12-25. The cost incurred also is far too much, having regard to the requirements of the company. It may also be observed here that the increase of Rs. 326-1-6 shown in the total cost of printing and stationery is very nearly equal to Rs. 326-12-0 reduced under the head " Advertisement charges". Mr. Eswariah has shown Rs. 681-12-0 under this head as against Rs. 445/- shown by Mr. Narasimah Murthi.

Appointing charges:- The total under this head as shown by Mr. Eswariah and certified as correct by Managing Agent Mr. S.Sundara Rao, was Rs. 3999/- up to 31-10-25; and it rose to Rs. 4666-8-0 by 31-12-25, showing an expenditure of Rs. 667-8-0 during November and December 1925. This is in addition to the extra cost of salary, allowances, commissions, overtime allowances and remunerations. The way in which this loss is adjusted in the balance-sheet of Mr. Narasimah Murthi, deserves special attention. This is not shown in the profit and loss account as an item of loss, nor as an item of ~~xxxxx~~ asset in the balance sheet. But curiously it has been used as a factor reducing the liability of the cpmpany under Security Deposits, the object being as already explained, to reduce apparently the amount of loss sustained by the company. The confidential information I was able to collect in this respect is, that this amount of Rs. 4666-8-0 and Rs. 1857-9-1 shown under Assets against the Chief Agent's Allowance, aggregating to Rs. 6524-1-1, are due to the company from the Chief Agent Mr. R.K,Naidu. The Agents are to be paid the commissions they earn after the fulfilment of the work entrusted to them and only to the extent they earn. But heavy advances were made to Mr. R.K.Naidu, who has besides, as I learn, utilised a pretty big sum of money which he had collected from the public on account of the company. It is said that this appropriation of the company's funds came to the knowledge of the Managing Agents and the Directors. How this matter was disposed off could only be determined by looking into the connected papers

in the Head Office. Mr. R.K.Naidu along with Mr. Sundara Rao severed ~~with~~ his connection with the company long ago, though the company may not have formally removed him from his office. He has anyhow ceased working for the company and cannot therefore earn any more commission or profits. Yet Mr. A.Narasimah Murthi has noted in the Balance sheet that the sum of Rs. 4666-8-0 is to be wiped off against the profits of agents guaranteed business or on forfeiture of their security deposits, whereas as a matter of fact he has reduced the liability of the company under securit deposits i.e, he has deducted Rs. 4666-8-0 out of the total securit deposits of Rs. 16123-15-0, and has shown the balance of Rs. 11457-7-0 as due to agents from the company. Here it may be observed that Rs. 16123-15-0 represents, as I learn, the total deposits received from agents other than Mr. R.K.Naidu, who has to make good Rs. 4666-8-0. Neither the security deposits of other agents could be forfeited to compensate this loss, nor could the profits earned by other agents be utilised to wipe off this payment made to Mr. R.K.Naidu, nor could the security amount for which the company is liable, be shown less than what it really is. The same is the case in regard to Rs. 1857-9-1 shown as recoverable from the -- seniorage commission to be earned in future, No action appears to have been taken to recover the amounts from the chief agent Mr. R.K.Naidu.

In the light of the foregoing circumstances we may safely take Rs. 25089-7-1 as representing the total loss sustained by the company up to 31-12-1925

The result and nature of the working of the company:-

The next points for consideration are whether or not the Directors and the Managing Agents are guarding the interests of the share holders and agents; and whether or not their money is secure in the hands of the authorities actually engaged in workin the cpmpany. To answer these issues we have to consider (a) if the bona-fides of the Directors and Managing Agents is not pper to question in regard to the heavy expenses incurred, and if the

balance of the earnings of the company are invested in profitable concerns, (b) if the company has sufficient funds to meet urgent calls, and (c) if the authori[illegible]f the company are earnest in their work.

(a) The heavy expenditure incurred and the balance:-

In para 7 of the report of Directors dated 2-5-26 on the balance sheet drawn up by Mr. Eswariah, they observe as follows:-

The Directors deeply regret to observe that owing to the differences among the members of the Managing Agents much money has been spent in the shape of loans, advances, salaries and travelling allowances, etc, in spite of Directors' Resolutions. The liabilities are to be fixed after through investigation of the accounts. Further the Directors regret to state that there are several anomalies in the accounts of the company for which the Managing Agents are solely responsible. The General Meeting had to be delayed owing to the above reasons."

Para 3 of the same report runs thus:- " The debts due to the company amounted to pretty large figure, as mentioned in the balance sheet, a few are to be settled by adjustments and other few are to be wiped off when the company begins to earn profits. The Directors regret to state that the rest of the loans have not been recovered with all endeavours."

In para 21 of thir report dated 16-9-26 on the balance-sheet certified by Mr. A, Narasimah Murthi, the Directors have expressed the same view.

The following facts can be gathered from the Auditor's report dated 30-9-26:- The ledgers are not regularly closed and balanced. The Application, allotment and call accounts were not regularly credited to the share capital account soon after the allotments and calls were made. The Security Deposit amount has not been invested in some bank or other to meet urgent demands. Under sundry debtors and sundry creditors, the figures shown in the balance sheet do not tally with the list maintained under these two heads. Acknowledgments were not taken from sundry debtors of the [illegible]

suspense account the credit balance represents wrong classif cation. As regards advances, items long standing are not adjusted Touching salaries, no regular bills are filed in all cases, and in consequence it was very difficult to examine whether all the payments made were actually due to the parties on the dates of payment. Monthly bills were not regularly prepared in regard to the Managing Agents allowance, and amounts are drawn in instalments, rendering it thereby difficult of verification. Payments made as overtime allowances are not based on proper authority, sanction and vouchers. Under Travelling expenses, amounts are drawn in advance without sanction of the Directors and without submitting the bills for their previous sanction. There is no limit fixed for incurring contingent charges and sundry expenses The item of Rs. 76-11-0 spent as repairing charges, needs investigation. Though there was no provision made in the Resolution to pay interest, yet Rs. 152-0-4 had been charged off under this head The Directors are asked to fix the responsibility on the concerned parties. In many cases the dates of allotment and of the receipts of call and share amounts, are not entered in the Share Ledger. The Share capital amount shown in the Ledger is not agreed with the entries of amounts shown as received in the Ledge Many share certificates have not yet been issued. The Live-Stock Registration Book is not written subsequent to 25-9-25 and there is no ledger maintained for this account. The auditor has also -- drawn up three lists: one showing items of payments not supporte by vouchers and sanction, a second showing differences between the amounts shown in the book and the amounts indicated by the vouchers; and a third list showing the irregularities in the Dairy accounts.

In addition to what I have already mentioned, the following are the further information I was able to collect from reliable sources. The Directors are not in the habit of receiving, scrutinising and passing the monthly statements showing the cash receipts and expenditure. They do not seem to exercise any cont

control over the Managing Agents, who are practically running the whole concern as they choose. The names of all the members who have applied for shares and made payments therefor, do not appear to have been brought into the allotment register and th share ledger. Though it is learnt that more than 5000 proposal for the insurance of the live-stock have been received, yet th register of Live-Stock Certificate shows only about 1907 anima registered upto October 1926. The only register maintained for this branch of work, is not written up regularly nor up-to-date and there are no entries between 28-9-25 and 19-5-26. Instance are not wanting in which after the issue of the "pakka" receip from the Head Office, concerned entries are not made in this register. Instances of applications received without any actio taken by the Managing Agents, are also not wanting, though ther are "katcha" receipts of the sub-agents ~~xxdxxgxxxix~~ forthcoming with the applications. Commissions to sub-agents and agents, an the pay of the company's servants are not regularly paid. The Managing Agents have not developed their business capacity and improved the efficiency of the Head Office., and for want of proper facilities the work of even the earnest and honest agen has been made to suffer and they are held to blame for no faul of theirs. During the last Dasara an agent from Nellore had come with loud complaints against the Managing Agents, and to demand that the management of the company should be entrusted to him. A special meeting of the Directors was convened on the occasion, and somehow he was satisfied and sent back. Many an agent of the company has taken to defrauding the public. Swindling of the public by the agents and Agicultural Inspectors at Nanjangud Chennapatna, Bangalore, Kolar and Shimoga in the State, and in the surroundings of Mangalore and in parts of the Bombay and Madras Presidencies, has, as I learn, been brought to the notice of the Managing Agents and the Directors. In some important instances, the Directors and Managing Agents would appear to

for reasons best known to themselves. In the Taluk of Nanjangud alone, there was defalcation of the kind to the extent of about Rs. 1500/-, and there was an enquiry by some of the Directors, whi produced no good result. It may be that the chief organiser Mr. V.K.Lakshmana Mudaliar was implicated in the affair, and in cons quence the action ceased. It would appear that by a secret unde standing between him and Agricultural Inspector at Nanjangud, butter was being supplied free to the Dairy Farm attached to th Head Office., of course the Inspector misappropriating the sub- scriptions collected on shares and Live-Stock Registration, par to supply butter and partly for his own use. Fortunately for th company the aggrieved public have not taken into their heads to complain to the Governmental Authorities. The prospect of worry and annoyance consequent upon laying the complaints and the cos to be incurred in producing their witnesses, may have lulled th to inaction. Moreover each individual subscriber might not have been defrauded to the extent necessary to excite him to action. This Inspector Narasimah Murthi, who is an irresponsible youth, has once been convicted and sentenced for theft, and once before charged for another item of theft and probably treated as a fir offender. The Agent of Bangalore has long ago disappeared from Bangalore. Two instances in which Mr. R.Malwanker, the company' Agent at Poona, had defrauded two individuals each to the exter of Rs. 200/-, had been reported to Poona Police. When I went to record the statements of the Chief Agent, Mr. R.K.Naidu, and the Managing Agent, Mr. V.K.Lakshmana Mudaliar, at the instance of th Poona Police, I was able to gather from them that both of them were aware of the fraud perpetuated, but wihout taking any actio against Mr. Malwanker, they had left the aggrieved parties to seek redress in a court of law. Many complaints appeared to hav reached the company's authorities agains Mr. G.S.Kamath, their agent at Mangalore. Then again the Managing Director, Mr. J. Sankarlal, chosen by the Directors to co-operate with the firm the Managing Agents and run the business of the company, does

not appear to be the proper sort of man person to safeguard the interest of the share-holders and the Agents. In the year 1923 there were cases under section 406 I.P.C reported against him to Srinivaspur Police, Kolar District, by one Mr. Abdul Wahad, a merchant of the C & M Station, Bangalore. Sankarlal had absconde and was traced and brought under the Extradition Warrant. On one count he was convicted under Sec. 406 I.P.C and sentenced to pay a fine of Rs. 100/- in default to undergo 2 months' S.I. in Cr. No /23-24. The other count ended in a discharge. It is also learnt hat this Sankarlal was prosecuted before the Sub-Divisional agistrate, Kolar, for an offence under section 182 I.P.C and onvicted. C.I.D. Sub Inspector Mr. B.Dasappa, who was then in rinivasapur Taluk, has identified him now. Such an individual s chosen by the Directors to control the vagaries of the Manag gents and to guard the interest of the company.My information hat both have joined hands.

The enclosed report of the Directors dated 16-9-26 show the nine gentlemen choseh as Directors for the company at pres Of these persons, Messrs. V.K.Lakshmana Mudaliar, & K.Ramanna and S.Sundara Rao are the members of the Managing firm of Messr V.K.Lakshmana Mudaliar & Co. Mr. V.K.Lakshmana Mudaliar had co trived to get all the three of his firm chosen as Directors in order that the Managing Firm may get the majority of votes in their favour on all disputed points. I have already mention that when Mr. K.Ramanna ceased to be the Dairy Manager in Nove 1925, the balance of cash shown in the books to the exten of Rs. 700/- and odd, was not handed over by him. Information available is that there has been a heavy defalcation in the Dairy Branch. Likewise Mr. S.Sundara Rao, who succeeded Mr. K. Ramanna as Dairy Manager, appears to be responsible for the cash balance of Rs. 260/- and odd. Both these have, however, ceased to work in the company. Two other Directors, viz, Messrs. A.Taniappa Bangera of Mangalore and R.S.Desapande of Bijapur, are Directors only in name, without practically exercising any control over the working of the company. About

About Messrs J.Sankarlal and V.K.Lakshmana Mudaliar referenc has already been made. The remaining Directors are Messrs. (B.Narasimha Iyengar, an Advocate, (2) Dr. A.J.Ram, a Medical Practitioner and (3) C.Krishanamurthy Sastry, a retired Sub Registrar and practising Pleader, Mysore. These three are al the important Directors of the Hindu Bank Ltd, Mysore, which being worked by the well known Mr. G.Virupaksha of the Depre Class Mission, Mysore. Complaints against Mr. G.Virupaksha a his Bank are very many. As a matter of fact Mr. C.Krishnamur Sastry had himself lodged a series of complaints against Mr. Virupaksha, though a case filed in court ended in a discharg Instances may not be wanting in which these Directors have c the laches of Mr. G.Virupaksha; and they are again intimate friends of Mr. V.K.Lakshamana Mudaliar, the guiding star of company. The Directors of the company have themselves admitt in their report that in spite of their resolutions they were able to control the expenditure. Such are the constitutions the Managing Firm and of the Board of Directors. The informa is that each Director and Agent is trying to assert his self importance and to look to his own individual behefit.

How the funds of the company have been wasted will a when the Balance Sheet is scrutinised in greater detail. The gross earnings of the company up to 31-12-25 are as follows:

1. Paid up share capital	Rs	18,964- 9-0
2. Calls received in advance	"	2,083- 0-0
3. Premium on Live-Stock Registration	"	6,877- 5-0
4. Certificate fee on Do	"	231-4- 0
5. Security Deposits of Agents	"	16,123-15-0
6. Total profit of the company	"	955- 5-9
Totals	"	45,235- 6-9
Deduct total expenditure incurred	"	25,089- 7-1
Balance	"	20,145-15-8

The following are the important items on which the balance the company's funds has been invested:-

1. Landed property		Rs 2604- 2-0
2. Loans (Agircultural)		" 4462- 6-0
3. Debts due to the company		
(a) Dairy	Rs 4258- 4-3	
(b) Directors	" 2369- 2-9	
(c) Others	" 349- 4-0	
(d) Agents	" 71-12-0	
otal		7048- 7-0
4. Advances		3315-10-9
5. Chief Agent		1857- 9-1
Total		~~19188- 2-10~~ 19188-2-10

(1) The subject relating to the landed property has already been dealt with. Probably the sale of the land may not fetch the price paid for it. Moreover no profitable use is being made of it, and as such the land is not fetching any return.

(2) Of the total Agricultural loan of Rs 4462-6-0, Mr. V.K. Lakshmana Mudaliar owes Rs 1375-0-0, and as already observed some of the loans are not supported by bonds and the sanction of the Directors. Hence the recovery may be difficult

(3) In regard to the debts of Rs 7048-7-0 due to the company the Directors have themselves observed that a few of the loans are to be settled by adjustments, and a few are to be wiped off as the company begins to earn profits; and that all endeavours made to recover the rest, were unavailing. The balance-sheet shows under liabilities that Rs 833-12-6 are due to Directors as against Rs 2369-2-9 due from them. This has probably to be adjusted. It may not be unlikely that the balance due may also have to be adjusted by the amounts which may fall due to them in future as sitting charges and remuneration, etc. Hence no recovery under this head also may be possible. From the Dairy Rs 4258-4-3 is recoverable. This is in addition to Rs 736-12-6, which is the difference between Rs 8073-9-5, representing the Head Office debits to the Dairy, and Rs 7336-12-9, which is the Dairy credits to the Head Office. The report of the Directors show that the Dairy Branch was opened at a totatl outlay of Rs 8073-9-5, which is the total Head Office debits to the Dairy; and of this the Dairy has made good Rs 7336-12-9, leaving the balance of Rs 736-12-6. This additional sum of Rs 4462-6-0 charged to the

the Dairy, is rather suspicious, and may confirm the information about the heavy defalcation in the Dairy. The Dairy Branch has been closed in April 1926; and after the audit of the accounts in September 1926, the Directors have recorded their opinion regarding the difficulty in the recovery of the debts due. The Directors probably refer to this item and to Rs. 71-12-0 due from Agents, when they say that a portion of the loan has to be wiped off when the company begins to earn profits in future. The financial condition of the company and the nature of work turned out till now, are not conducive to secure profits to the company in the near future. There remains only the small sum of Rs. 349-4-0 recoverable from others.

(4) Advances of Rs. 3315-10-9 are accounted as follows by Auditor Mr. Narasimah Murthi in his report dated 30-9-26.

1.	Advance of salary	Rs.	2300-15-9
2.	do appointing charges	"	202- 8-0
3.	do advertisement	"	325- 0-0
4.	do rent	"	200- 0-0
5.	do allowance to Ch. Agent	"	52- 9-0
6.	do seniorage commission	"	85- 0-0
7.	do commission on Live-stock registration	Rs.	4- 4-0
8.	do. Dairy Branch	"	5- 6-0
	Total	"	3315-10-9

Almost all these items are again to be wiped off as the amounts advanced fall due to the concerned staff and agents of the company; and there is no possibility of recovering ready cash in return. Probably as these amounts are adjusted, further advances may accumulate as the agents and officials cannot be expected to turn out work without money to maintain themselves.

Thus it could be seen that out of the total collections of Rs. 45235-6-9 made by the company up to 31-12-25, Rs. 25089-7-6 has already been expended, and a total sum of Rs. 19188-2-10 has been wasted as advances of salaries and commissions, etc, loans and

ther charges, leaving a balance of Rs. 967-12-10. Thus out of the ollections made under different heads up to 31-12-25 no appreciable mountis made available to meet the future expenses and to work ut the various schemes formulated by the company.

(b) The available funds of the company and (c) the interest of the Managing Authorities:-

It has already been noticed that the company holds no ready capital. Regarding the cash on hand the following are the details furnished in the balance sheet:-

1. Cash at Banks	Rs. 631-11-3
2. On hand at Office	" 30- 0-1
3. On hand at Dairy	" 648- 9-8
Total	Rs. 1310- 5-0

It is only the Bank accounts maintained in the company that howed the cash at Banks as Rs. 631-11-3. The auditor has remark n his report that the concerned pass-books were not shown o him. It is curious that the Managing authorities should ave couted such adverse remarks against themselves, if really he pass-books they held, indicated cash at their credit to he extent shown by their office accounts, and that the Direct hould have allowed it. The omission is rather suspicious. aving regard to the fact that the Dairy Manager Mr. K.Ramanna ad not handed over the balance of cash of over Rs. 700/- on han t the Dairy on 18-11-26, when he ceased to be in office, it ay be that an unreal figure is shown in the Balance-Sheet. n the Dairy Branch there is a rough cash book written up to the end of August 1925, and a clean cash book written p to 27-3-26; and the latter book has not been closed though he Dairy ceased working in April 1926. There appear to be lot f scorings and alterations in the rough book. In the Head Office he rough cash book has been discontiued since July last, and the lean cash book is not written up from 17-5-26 to 22-7-26, rom which latter date a separate cash book is opened. The clean cash book, it would appear, shows a balance of Rs. 15-2-4

n 31-12-1925, while the rough book shows a nil balance for
ne same date; and the balance sheet shows a cash balance of Rs
)-0-1. So there are reasons to suspect that the figures shown
n the balance sheet against cash on hand, may not be real ones

The close examination of the above circumstances may sh
nat out of the total earnings of the compnay up to 31-12-1925
ppreciable ready cash is made available for the use of the
ompany subsequent to 31-12-1925. In addition the ~~company~~ Company has
set Rs. 3160-10-1 due to its ~~credit~~ creditors of Rs. 1597-8-3 outstanding as o by the balance sheet.

The balance sheet shows that 5217 shares at Rs. 10/ each, ha
been subscribed up to 31-12-1925; and the company has actually
the amount of allotment and the first call aggregatting to
Rs. 18964-9-0 plus Rs. 2083/ of calls received in advance or
total of Rs. 21047-9-0. The Directors themselves have admitted
in their report dated 16-9-1926, that there are many cases of
shares and live-stock certificates to be forfeited on account
non-receipt of call amounts and premium dues; besides the Secu
Deposits of the major number of Agents are liable to be for-
feited on account of their not turning out work to the extent
agreed in their contract. Thus the share holders, Live-stock
certificate-holders and the Agents, after some experience with
the authorities of the company, have betrayed their lack of
interest in the Company. Untill the Directors and the Managir
Agents can secure new share-holders, subscribers to Live-stoc
Registration and fresh Agents, and unless and untill they
radically change their ~~plans~~ policy, the future income of the compan
may considerably suffer. Probably in view of their present
financial condition, the authorities of the Company have devis
means to explore new areas, where the reputation of the compan
has not reached. They have advertised for three Branch secre-
taries for Calcutta, Bombay and Madras, and the intending
candidates are required to furnish a cash security of Rs.2000,

ach, and they are promised with a monthly salary of Rs. 200/ plus
s. 100/ with good prospects. When one Mr. Doraraj of Bolaram, Deccan,
pplied for the post of a branch secretary, the Managing Director
r. J. Shankarlal wrote to him in his letter No. 5980 dated
5-9-1926, to wire Rs. 300/ as earnest Deposit so as to enable
im to recommend his case to the Board of Directors for confirming
he appointment, and intimated to him that as many applications
or the posts of the Branch Secretaries are pouring in, he (Mr. Doraraj)
hould not fail to avail himself of the opportunity immediately to
void disappointment. In his next letter No. 6077 dated 5-10-1926
r. J. Shankarlal has written to Mr. Doraraj in the same terms, once
gain asking him to wire the earnest deposit of Rs. 300/. How eager
r. Shankarlal is to secure the earnest deposit of Rs. 300/ may be
athered from these letters. Though the Directors in their report
ated 16-9-1926 have observed that they do not intend to take the
oercive measures of forfeiting the security Deposits of the Agents, who had
ailed to show work to the extent agreed in their contract, yet
t could be seen that as a matter of fact the full amount of the
ecurity Deposits has been expended, and no provision is made to
eturn the deposits of the Agents, who may demand for the same. It
ooks as though for want of ready cash, the Managing Agents and Dir
irectors have now planned the design of appropriating the incoming
ecurity Deposits to pay up the salaries, commissions, allowances,
nd other expenses, during the current year. The want of proper
rganization and non-devolpment of the business habits on the part
f the Managing Agents and Directors added to their selfish
olicies of serving their individual interests, appear to have
ontributed to a not mean degree towards the failure on the
art of some of the Agents to turn out work to the extent
greed, and their deposits are liable to forfeiture. This was
he nature of the complaint of the Nellore Agents, who had come
o Mysore during the last Dasarah. Moreover the pay and allowa
f the Companies Inspectors and Agents, are long left in arrea
nd their claims not settled, evidently because the company ha

funds to meet these demands. The appointment of fresh Agen and Branch Secretaires on fat saldries, involve an increase expenditure, which the company in its present financial st gency, cannot hope to meet, unless and untill the new Agents and Secretaries furnish the necessary funds. Time and init expenses are necessary for them to achive sucess in this direction. Then again the addition of Mr. J. Shankarlal to Managing staff, involves an extra cost of Rs. 200/ per month as plus whatever commissions and allowances he may claim. In t report the Directors have informed the share-holders in glo terms that "although their agreement with the company is n permitting, the Managing Agents have recently volunteered t forego a sum of Rs. 150/ per month out of their monthly all till the company declares some dividend, and Rs. 100/ from date of declaring the dividend, to provide scope for the independent Directors to take up the management. Accordingl on the recommendation and the mutual consent of the Managin Agents Mr. J. Shankarlal was appointed as Managing Director to Co-operate with the Managing Agents". The antecedents of so called independent Director, Mr. Shankarlal, shows that he convicted under Sec. 406 I.P.C. in Kolar District for mis-appropriating his master's money, and convicted again under 182 I.P.C. for reporting to the Police falsely that he was robbed of his Master's mony on the way. These were during time he was employed under Mr. Abdul Wahad, a Tanary bark merchant of C and M Station, Bangalore. Again the so called self-sacrificing deposition of Mr. V.K. Lakshmana Mudaliar, will be exposed when we closely look into the terms of his contract with the Company, and how far he has acted up to th terms and how he has wasted the companies funds. The substa of the contract is printed at page 3 of the Company's prosp Under the terms of the contract, during the first year of th existance of the Company, the Managing Agents are entitled t draw a monthly allowance of Rs. 150/ to be charged off as

working expenses, in the absence of the Company earning any profits. On and from the second year they will draw a salary ranging from Rs. 200/ to 500/ per month Varying with the Annual profits of the company, and a commission of 15 percent on the nett yearly profits of the company. Mr. Mudaliar has, however, appears to have drawn the following sums from the company up to 13-12-1925

(1). Managing Agent's allowance.	Rs.	2806-7-2
(2) Advance of Seniorage commission	Rs.	85-0-0
(3) On personal account.	"	2225-0-0
(4) On loan account on the security of his future seniorage commission with authority to draw up to Rs. 5000/	"	1375-0-0
(5) Loan from the Diary.	"	400-0-0
(6) Advance of lease amount written off. ..	"	720-0-0
Total.	"	7611-7-2.

This is in addition to his remuneration as a Director, and that within a period of 16 months after the Company started business. He has allowed the Chief Agent Mr. R.K. Naidu to benefit himself to the extent of Rs. 4666-8-0 (appointing charges) plus Rs. 1857-9-1 (as allowance) ~~and x R x x 52 9 2 x x x x x x x~~ pending recovery and Rs. 52-9-0 as allowance, or a total of Rs. 6576-10-1.

On the Comany's staff and other Agents he has spent the following amounts up to 31-12-1925.

(1) Salary. ..	Rs.	7758-5-9
(2) Advance of salary ..	"	2300-15-9
(3) Over-time allowan ..	"	36-8-0
	"	10095-13-6

The Directors are benefited to the following extent.

(1) Setting charges ..	Rs.	1356-0-0
(2) Director's Remunerati ..	"	55-0-0
(3) Debts ..	"	2369-2-9
Total	"	3770-2-9

In addition, there was extravagant expenditure under other heads. Now that Mr. Mudaliar is entitled to draw up to Rs. 500/ per month, he need not sacrifice his personal interest to pay Rs. 150/ to Mr. J. Shankarlal.

The main objects of the company in floating a concern of the kind are: (1) to run ~~Diary~~ Dairy Farms, (2) to give relief to the Agricultural classes by compensating for the loss of the animals registered, (3) to advance loans to the public on approved sureties for Agricultural ~~Diary~~ Dairy purposes and (4) to conduct Agricultural operations.

The Dairy Branch of Head office was closed in April 1926 and the cows owned by the company have been, as I learn, distributed free of cost . No death calls have been paid till 31-12-1925, nor is there any provision made to meet such demands in future. The work of the Company in this branch of Live-Stock Registration, is far from satisfactory. It is only the Managing Agent and the persons in whom he is interested, that are benefited by the Agricultural loans; and the Agricultural operations conducted by the company exists only in name. The company is being run, as it looks, at the cost of public funds for the benefit of the Managing Agents and Directors and their friends; and irresponsible Agents and Inspectors of the Company are let loose on society to swindle the ignorant public.

Conclusion. The materials, I have strived to place in this report, are based on my scrutiny of the Company's Profit and loss Accounts and the Balance-sheets for the periods ending 30-10-1925 and 31-12-25 and on the Reports of the Directors and the Auditors, and on the information I was able to collect confidentially from other sources. But they are any how wanting in the guarantee, of my having personally checked the Company's accounts and verified as to the correctness or otherwise of the information collected by me. To the best of my ability I have tried to verify the information so far as confidential enquiry permitted. I have refrained from visiting the localities affected by the activities of the Company, and openly to question the Managing Agents and Directors for these reasons : (1) In the absence of accurate information regarding what amounts have been credited to accounts and what items are not, it would be difficult to lay any hands on the items of misappropriation. Moreover the information which may reach the Managing Authorities, may enable them to manipulate or suppress or destroy the evidence, calculated to implicate them. The prime movers might escape the ends of justice; and there is risk of booking innocent Agents. (2) Many places situate beyond the Mysore State, are to be visited and enquiries made; and this course would involve lot of

time and considerable expenditure, which the limitted T.A. amount sanctioned for the C.I.D. may not permit. It may therefore be desirable and expedient that the investigation should start with the Head office accounts and references, from which we can easily find out which items need investigation and which parties are to be examined and which references are to be secured. There is a legal bar for a C.I.D. Inspector of Police investigating into the accounts etc, of the company. This is a company registered under the Companies' Regulation, and as such they are not open to general investigation by the Police. Moreover the present enquiry is wanting in the complaint of an aggrieved party in regard to a cognizable offence. Even when such a complaint is forthcoming, a general investigation into the accounts is not permissible; and without general investigation action against the principal persons may not be very successful. Facilities of the kind given to me during my investigation into the frauds perpetrated in the Mysore Bank, Bangalore, are necessary in this case also. The Companies' Regulation, however, contains provisions to enable the Government to have the affairs of any registered ~~compnay~~ Company investigated into through the Inspectors appointed under the Regulation; and the records made by such Inspectors have an ~~exmdi~~ evidentiary value and can be used in legal proceedings. ~~Objection~~ Obligation is also cast on the authorities of the company to furnish such Inspectors with all the necessary accounts, references and information correctly. The C.I.D. Inspectors and the other Inspectors of the Police Department, are not appointed Inspectors under the Regulation. I may, therefore, be permitted to suggest that, before any action is taken against the company, ~~that~~ some competent Inspector or Inspectors appointed under the Regulation, may be deputed to investigate into the affairs of the company, and to check the accounts and references, and collect all documentary evidences available. It may be necessary that the Inspector to be so deputed, should be well conversant with the account

and experienced in handling criminal complaints and in collecting evidence in Criminal cases.

Submitted to the Inspector General of Police in Mysore Bangalore, through the Asst. Superintendent of Police Railways and C.I.D.

(Sd) D Seshagiri

C.I.D. Inspector.

Bangalore.

Dated Bangalore.

20th November 1926.

Copy

Inspector General of police

DS in Mysore. Bangalore

15th May 1924.

FIVE SHARES LOT.

Ticket No.91

Shares Nos. From ..... to.....

Fifty lots shares each carrying a prize of Rs. 250/ each, one hundred lots of 5 shares -- carrying a prize of Rs. 100/- each, will be - distributed within fice years as follows:-

1st	drawing	1925.	10 prizes of Rs. 250/-	20 prizes of Rs. 100/-
2nd	"	1926	do	do
3rd	"	1927	do	do
4th	"	1928	do	do
5th	"	1929	do	do

Name

Address

For the Mysore Agricultural
Diary Farm Com Ltd., Mysore
V.K. Lakshmana Mudaliar and Co.,
Sd/ S. Sundara Rao,
Managing Agents.

Copy
D. Govindaraja Rao
C. J. D. Secretary

ನಿಮ್ಮ ಅರ್ಜಿಯನ್ನು ಇತ್ಯರ್ಥಪಡಿಸಲಾಗಿದೆ. ಇಂತಿ ನಿಮ್ಮ ವಿಶ್ವಾಸಿ.

ಪಿ. ವಿಲ್ಲಿಯಮ್ಸ್ ಅವರಿಗೆ ಕೊಟ್ಟ ಪರವಾನಿಗೆ. ಶ್ರೀಯುತ ಪಿ. ವಿಲ್ಲಿಯಮ್ಸ್ ಅವರಿಗೆ ಕೊಟ್ಟ ಪರವಾನಿಗೆಯ ನಂಬರು 426 ದಿನಾಂಕ 26.6.1924 ರಲ್ಲಿ ಅವರು ಮೈಸೂರಿನಲ್ಲಿ 15.7.1924 ರಂದು ಈ ಪರವಾನಿಗೆಯನ್ವಯ 5 ಲೀಟರ್ ಸಾಮರ್ಥ್ಯದ 100 ಬಾಟಲಿಗಳನ್ನು ಪಡೆದು, ಪ್ರತಿ ಬಾಟಲಿಗೆ ರೂ. 100/- ರಂತೆ ಹರಾಜಿನಲ್ಲಿ, 10 ಲೀಟರ್ ಪ್ರತಿ ಬಾಟಲಿಗೆ 50 ರೂಪಾಯಿಗಳಂತೆ ಪ್ರತಿ ಬಾಟಲಿಗೆ ರೂ. 150 ರಂತೆ ಹರಾಜಿನಲ್ಲಿ, ವಿಲ್ಲಿಯಮ್ಸ್ ಅವರು ಮಾರಿದ ಪ್ರತಿಯೊಂದು ಬಾಟಲಿಗೆ ಸರ್ಕಾರಕ್ಕೆ ರೂ. 30 ರಂತೆ ಒಟ್ಟು ರೂ. 30,000. ಪಾವತಿಸಬೇಕಾಗಿದ್ದು ಪರವಾನಿಗೆ ರೂ. 5/- ಸೇರಿ ಸರ್ಕಾರಕ್ಕೆ ಒಟ್ಟು ರೂ. 30,005 ಪಾವತಿಸಬೇಕಾಗಿದ್ದು, ಹೀಗೆ ಒಟ್ಟು ರೂ. 90,000 ಪ್ರತಿ ಬಿಲ್ಲಾದಿ, ಹೀಗೆ ಒಟ್ಟು ಬಾಟಲಿಗಳ ಹೊರತಾಗಿ ಉಳಿದ ರೂ. 13,500 ಪ್ರತಿ, ತಾವೇ ಇಟ್ಟುಕೊಂಡು 30% ರಂತೆ ಪ್ರತಿ ಬಾಟಲಿಗೆ ರೂ. 45 ರಂತೆ ಮಾರಿದ್ದಾರೆ.

ಈ 5 ರೂ. ಲೀಟರ್ ಪ್ರಮಾಣದ ವಿಲ್ಲಿಯಂಸ್ 30% ರಂತೆ ಪ್ರತಿ ಬಾಟಲಿಗೆ ಮಾರಿದ್ದಾರೆ. ವಿಲ್ಲಿಯಂಸ್ ಇಷ್ಟು ಪ್ರಮಾಣದ ಸಾರಾಯಿಯನ್ನು ಯಾವ ಯಾವ ಸ್ಥಳಗಳಲ್ಲಿ ಮಾರಿದ್ದಾರೆ ಎಂಬುದರ ವಿವರವನ್ನು ಕೊಡಲಾಗಿದೆ. ಆದರೆ ಈ ಪರವಾನಿಗೆಯನ್ನು ಪಡೆದ ಮೇಲೆ ಅವರು ಎಷ್ಟು ಬಾಟಲಿಗಳನ್ನು ಮಾರಿದ್ದಾರೆ ಎಂಬುದರ ವಿವರವನ್ನು ಕೊಡಲಾಗಿಲ್ಲ. ಆದ್ದರಿಂದ ಅವರು ಮಾರಿದ ಬಾಟಲಿಗಳ ಸಂಖ್ಯೆಯನ್ನು ಕೊಡಲು ಸಾಧ್ಯವಿಲ್ಲ.

Coke

Section Pol

File No.

Serial No.

No. C 4250

Diary No. of letter replied to.....2.8.6.4.....

General and Revenue Secretariat

( )

the *192*

Date of issue.....21/2/27.....

Signed by.....M Js.....

To

.....The P.W.D. Mysore.....

Sir

With reference to the Correspondence ending with your letter no B. 7846 dt 21/27.12. regarding the Mysore Agricultural Dairy Farm Co., Ltd, Mysore, I am directed to request you to be so good as to submit a further report at an early date as to the action proposed to be taken, ~~by the Registrar of Joint Stock Companies,~~ in the matter ~~together with your opinion thereon~~

I have

17/2 JDR 18/2

over for L. Secy to Govt

-31,000— 24-12-25

C 784/26

Office of the
Inspector General of Police in Mysore,
Dated Bangalore the 18th March 1927.

From

P.F.Bowring,Esq.,J.P.,.
Inspector General of Police
in Mysore,
Bangalore.

GEN. & REV. SECRETARIAT,
29 MAR 1927
DEVELOPMENT BRANCH.

G. S. 15-26

B.Nagappa, Esq., Bar-At-Law.,
Secretary to Government,
Law Department,
Bangalore.

Sir,

With reference to your letter No.P.4250/Police dated 21-2-1927 requesting for a further report as to the action ~~xxxxx~~ proposed to be taken regarding the Mysore Agricultural Dairy Farm Co, Ltd, Mysore, I have the honor to forward herewith for your information a copy of the reply received from the Registrar of the Joint Stock Companies in Mysore in No.1077 dated 7-2-27. As stated in my letter No.C.784/26 dated 21/27-12-1926, I had sent a copy of the report of the C.I.D. Inspector to the Registrar and requested him to intimate to me as to what action he would propose to take in the matter. In his letter No. 1077 dated 7-2-27, supra, the Registrar states that he has called for certain explanation from the company, and that on the receipt of it, he would move the Government for the appointment of a competent Inspector under the Companies Regulation to investigate into the affairs of the Company.

I have the honor to be,
Sir,
Your most obedient servant,

Asst. to the
Inspector General of Police.
For Inspector General of Police
(On leave from Head quarters)

Letter No.1077 dated 7-2-27 from the Registrar of Joint Stock Companies in Mysore, to the Inspector General of Poli in Mysore.

With reference to your letter No.C.784/26 dated 21st/27th December 1926 forwarding a copy of the report by Mr. D. Seshagiri Rao, C.I.D. Inspector on the unsatisfactory state of affairs of the Mysore Agricultural Dairy Farm Company, Ltd., I have the honor to state that the appointment of an Inspector to investigate its affairs can be made under section 138 of the Myso Companies Regulation only on the application of the members of the Company holding one-tenth of the shares issued, or on my report under section 137 (5). I have taken preliminary action under Sec: 137(1) and have called for some explanation from the Company relating to the figures furnished on the balance sheets submitted b to this office in order to enable me legally to submit a repor to Government. As soon as the same is received, I shall move Gove ment for the appointment of a competent Inspector."

" C O P Y."

G. Lankaraffe

Inspector General Of Police.

OFFICE OF THE RESIDENT IN MYSORE,

Bangalore, 8th December 1926

No. 10013 Encls.

Dft. 679

8 DEC. 1926

Petition

A copy of the marginally* noted petition dated the 29th November 1926 from Mr. M.K. Sampathmaran "Grantha Shala", Ramavilas, with enclosure, is forwarded with compliments, to the Chief Secretary to the Government of H. H. the Maharaja of Mysore, for favour of disposal.

A copy of the foregoing endorsement is forwarded to r. M.K. Sampath Kumaran, "Grantha Shala" Ramavilas graharam, Mysore.

sd/- K. Evans Gordon.

Major.
SECRETARY TO THE RESIDENT.

The petition submitted by me to the Hon
consideration of the Honorable British Resident regarding
Mysore Agricultural Dairy Farm company Limi
might have reached you as it is informed to m
the Secretary of the Honourable Resident in his
No. 1061 dated 8th December 1926. Sir, I have
gone so much of trouble and at my various
authorities were fruitless, I had to submit it
Honorable Resident. So, His Honour has forw
the same to your favour of Disposal. Now Sir,
humbly beg you to kindly investigate all the
affairs and make my money, returned with
short period as that sum (Rs 4581/-) is
one life. Sir, I hope that you will do m
favour within the shortest time possib
the time is very bad to me. I have been aw
your favour to be bestowed on me early.

Respected Sir, if this is not done So
I have not even funds to file this case in Cou
and I will be bold enough to approach His Hyghe
the Maharaja Simultaneously with approac
His Excellency the Viceroy for justice and Safe
of my property. Sir, Such companies as these
are sure to swindle public money and th
Government promises to secure them Safet
&c. Sir, I have been so bold to approac

The Honorable Resident Sir, I beg that you will settle my affair with the company soon and get me the money back as I have fallen sick for refund as stated in petition the Honorable Resident.

Further to point out the defect in making away from its intentions, I have enclosed a prospectus of the company with last pages underlined with red ink which the company has not done at all.

Sir, to conclude my this petition and since I have submitted all in the one to The Honourable Resident, I humbly beg you to take immediate steps of investigation and recovery of my money for which kindness I shall be ever grateful to you

I beg to remain
Respected Sir,
Your most obedient Servant
M K Sampath Kumaran
14th Dec 1916

Address to.
M. K. Sampath Kumaran
"Granitha Shala"
Ramavilas Agraharam
Mysore

This question, it is assumed, dealt with in the Develop. Dr. may, therefore, be transferred as necessary. action.
(Sept Develop. Dr.
with Compliments)

The Chief Secretary to 4291
The Government of His Highness the Maharaja of Mysore
Bangalore.

GEN. & REV. SECTT.
13 JAN 1927
G. D. SECTION.

GEN. & REV. SECTT.
DEVELOPMENT BRANCH.

Sir,

Of course, my petition dated 29th November 192
to the Honourable British Resident in Mysore for kind
of the case regarding the Share amount in the Mysore Agr.
Dairy Farm Company Limited, might have been forwarde
with compliments under letter No. 10613 dated 8th.
1926 for your kind disposal. I had also submitted anoth
application to you to the same effect. But till now no
has been taken in disposing the same. Sir, I need not
once again that I am submerged under difficulties a
same amount if granted early it gives much timely
The petition that has been forwarded to you by
Honourable Resident gives fullest details regarding al
transactions and I do not like to concuss you by
same once again. I humbly request you to kindly take a
and special care regarding this and settle in early
Your kindness gives me much relief. I misunderst
company and thinking that it would help me, I de
only poor property and invested in this. But my
pation went in vain. Now as there is no means of
(as I am not fortunate to be employed though I tried
utmost) I humbly request you to settle the case and g
back the amount which is a great sum to me (Rs 4.
I really hope that you will do the favour to me & to
and encourage me

Thanking you for your favour and a k
reply at the earliest date I beg to Remain

P. D. 6241 § 1.2.27 informing
M. K. Sampathkumaran that his
claim re. the affairs of the Regional
Agricultural Dairy Farm is engaging
attention.

Results. Write a draft reminder to
Registrar as ordered in the previous

Issue

GOVT. OF H. H. THE MAHARAJA OF MYSORE.

GEN. & REV. SECRETARIAT.

OFFICIAL MEMORANDUM.

No. D 4977 of 30/12/25 (enclosure)
of Mr. M. K. Sampathkumara

The accompanying Petition Registered

No. 3504 dated 8.12.1925

received at the General and Revenue Secretariat from the Secretary to the Hon'ble the President in Council

is forwarded, ~~together~~ with its ~~enclosures~~ Compliment to the Registrar of Joint Stock Companies in Mysore (favour) for Enquiries and early report.

By Order,

20/12 Secretary to the Govt. of H. H. the Maharaja of Mysore.

BANGALORE, ...19.....

WD 425—GPB—2000—3-11-25

G.R.S. 37]

Form C.

Issue & Submit.

~~No. M.D. 6241~~ 8/1/27.

GENL. & REV. SECRETARIAT, the 190 } To

Mr M. K. Sampathkumaran,
"Granthasala",
Rama Vilas Agraharam,
Ingram.

1-2-27
given by
V. V. Giri

OFFICE MEMORANDUM.

With reference to his petition dt 12.1.27 ~~The undersigned is directed to inform~~ ~~Mr. M.K.~~ Mr M K Sampathkumaran is informed that his petition dt 29.11.26 received. Enquiry in Secy. to the Hon'ble the Revenue Minister in regard to the affairs of "the Ingram Agricultural Dairy Farm Co. Ltd. is urgi

* Dated
Subject

~~that petition* has been transferred to the~~ the attention of Govt.

~~for disposal~~

S.O.,

WG 26/1

for Secy to Govt

GOVERNMENT OF MYSORE.

IN REPLY PLEASE REFER TO
NO. 1098
ENCL 10

5252

GEN. & REV. SECRET
22 FEB 1927
OFFICE CLOSED BRANCH

Office of the Registrar of Joint Stock Companies in Mysore.

Dated, Bangalore 21:2:1927.

FROM

B. Ramaswamaiya, Esq., B.A., B.L.,
Registrar of Joint Stock Companies in Mysore.

J. S. 15-26-5

To

N. Rama Rao, Esq., B.A., B.L.,
Secretary to the Government of His Highness
the Maharaja of Mysore, Development Department:
Bangalore.

S i r ,

With reference to Government Official Memorandum No. D.4997/J.S. 15-26-3 dated 30th December 1926 forwarding for enquiry and report the petition of one Mr. M. K. Sampathkumaran about the Mysore Agricultural Dairy Farm Co., Ltd., addressed to the Hon'ble the Resident in Mysore and to your Reminder No.D 6606/J.S.15-26 dated 14-2-1927, I have the honour to state that the ex-officio Assistant Registrar of Joint Stock Companies, Mysore District, to whom a copy of the petition was forwarded for enquiry in respect of the several matters contained therein has reported that he inspected the registered office of the company on the 12th and 17th January 1927 and that a copy of his confidential letter No.215 dated 30-1-1927 containing his report together with a copy of its enclosures is herewith submitted.

2. In paragraph 2 of his letter the Assistant Registrar refers to his letter No.214 dated 30-1-1927 addressed to this office. He has reported therein that the funds of the company have been very grossly mismanaged resulting in serious losses to the company and that there are apparent defalcations etc., and that immediate action may be taken to wind up the company and that the desirability of launching a prosecution may be investigated. As companies cannot be wound up by me under the Regulation or Rules, I have thought it fit to have the affairs of the company investigated by an Inspector appointed by Government under Section 138 (iv) of the Mysore --

Mysore companies Regulation in order to fix the responsibilities on the concerned persons for defalcations mismanagement etc., of company's funds and with this object I have under Section 137 (1) of the said Regulatio called for certain explanations from the company on the balance sheets submitted to this office. As soon as they are received a complete report on the affairs of the company will be submitted.

(3) In paragraph III of his letter, the Assistant Registrar has stated that it is a fact that Mr. Sampathkumaran has not been granted the share certificates and that his case is one among many in which the certificates have been prepared and kept at the office of the company on the ground that the shareholders should tender pucca receipts originally granted to them and receive share certificates in exchange and that the company has not issued notices to shareholders in any case whatever that the certificates are ready and that they may be had on tendering pucca receipts. Kind reference is invited to Sectio 108 (1) of the Mysore Companies Regulation in this connection. That Section says that every company shall comple and have ready for delivery the certificates of all share I do not think that the Section means that the responsibilities of a company terminate by preparing the certificates and getting them signed. They must also intimate the fact of having done so to the shareholders and ask them to send the pucca receipts etc., to be exchanged for share certificates. Moreover Mr. Sampathkumaran has stated in the petition that though he "reminded them often they cared not even a straw to requests regarding the share certificates". This I think makes the position of the company worse. Rustomji, Bar-at-Law in his "Company Law", Alexander Kinney, Bar-at-Law, Administrator General and Official Trustee of Bengal in his "Law relating to private companies in India" and Mr. P. S. Mellor, late Registrar of Companies

Bombay in hi Joint Stock Companies Manual" have respectively stated under Table of offences as follows:

Section.	Offence.	Offender.	Maximum Penalty
108	Failure to issue certificates of shares or debentures.	Company and officer.	Rs.50.

Nature of default.	Who liable,	Section I Act.	Penalty.
Failure to issue certificates of shares.or debentures within 3 months after allotment or transfer.	The company and officer.	108	Rs.50.

Section.	Offence.	Maximum penalty.
108 (2)	Default in issue of certificates.	Rs.50 for each day.

I am of dpinion that apx apart from several other things, the company have made themselves liable for prosecution under Section 108 of the Regulation for default in delivering the share certificates and necessary action will therefore, if approved, be taken accordingly without prejudice to any other action that may also be taken later on.

(4) The Assistant Registrar has also stated in paragraph 3 that the statement made by the company xhaxk that the certificates may not be completed and ready for delivery till nine months after allotments of shares is a direct violation of the provision contained in Section 108 of the Regulation. The Section has not been correctly understood, as by the latter part thereof a company can issue the share certificates within the time prescribed by it provided it mentions that fact in the prospectus. So no action can be taken on the question of 9 months as it is legal.

(5) Mr. Sampathkumaran's petition is herewith

returned.

I have the honour to be,

S i r

Your most obedient servanant,

R E G I S T R A R .

MPC

HR

Confidential

Copy of letter No.215/30-1-1927 dated the 28th January 1927 from the Ex-officio Assistant Registrar of Joint Stock Companies, Mysore District, to the Registrar of Joint Stock Companies in Mysore, Bangalore.

With reference to your letter No. No.1003 dated the 6th January 1927 and No.1028 dated 20th January 1927 in the matter of a complaint against the Mysore Agricultural Dairy Farm Co., Limited, Mysore, by one Mr. M. K. Sampath Kumaran to the Hon'ble the Resident in Mysore, I have the honour to state that the registered office of the company was inspected by me on the12th and 17th January 1927. The substance of the allegation by the petitioner is as follows:

(1) That he was induced to take up shares and additional shares on promises by the Managing Agents to give him a decent post and that though the promise was not fulfilled his share amount has not been returned to him.

(2) That though it is more that a year since he fully paid up the amount, the share certificates have not yet been issued to him,

(3) That the company has granted him receipt only for Rs.240/- when he fully paid up the amount of Rs.300/- for 30 shares originally applied for by him.

(4) That the company suffered serious loss owing to its funds having been mismanaged, that it required investigation and action by the Government against the persons responsible,

(5) That the company has been doing cattle insurance business not only in Mysore but also in British India, Burma and Ceylon without furnishing any security to the British Government and

(6) That That the company has published two inconsistent balance sheets, intending some mischief to shareholders.

Allegations 4 and 6 have been dealt with at length in my detailed notes of inspection sent with letter No.214 of even date, wherein it has been recommended that the company's affairs are not being managed properly and that action should be taken to wind it up. Now as regards allegations 1 and 3 from the amount

enclosed copies of the vouchers kept at the office of the company, it will be seen that the amount paid by the -- petitioner was appropriated and re-appropriated from one purpose to another and this has been acquiesced in by the petitioner himself. If he has been induced to take up shares on false promises, it is open to him to take action in a competent court of Law. But the company has valid vouchers from him. It may however be said from this instance that the company has not been straight-forward in its dealings. The petitioner's statement that he has been granted a receipt only for Rs.240/- while he paid Rs.300/- is controverted by the counter-foil of Receipt No.2906 dated 18-1-1926 (copy enclosed).

It is a fact that the petitioner has not yet been granted share certificates. His case is one among many in which the certificates have been prepared and kept at the office of the company on the ground that the shareholders should tender pucca receipts originally granted to them and receive share certificates in exchange. The Managing Agents take shelter under the wording of Section 108 (1) of the Mysore Companies Regulation 1917, which run as follows: "Every company shall after 3 months after the allotment of any of its shares, etc., have ready for -- delivery the certificates etc.,.....". The company has not issued notices to shareholders in any case whatever that the certificates are ready and that they may be had on tendering pucca receipts. Some of the certificates were prepared very recently i.e., after the time allowed by law. It may be mentioned here that in the Prospectus issued by the company, it is stated that the certificates may not be completed and ready for delivery till nine -- months after allotment of shares and this is a direct -- violation of the provision contained in Section 108 of the Company's Regulation.

As regards allegation 6 it is an admitted fact that the company has been collecting subscriptions in the Live

Live Stock Compensation Bureau Scheme from owners of Cattle in British India also without depositing any -- amount under Indian Life Insurance Companies Act. This is a matter for British Indian Authorities as there is no similar law in Mysore.

P. R. No.2710 duplicate with endorsement on the back.

No.2710. date 22-10-1925.

The Mysore Agricultural Dairy Farm Company, Limited, Mysore.

comprising

The Live Stock Compensation Bureau.

Received with thanks the sum of Rs. Eight hundred and Sixty only, from Mr. M. K. Sampathkumaran, being Rs.800/- towards security deposit amount towards Farm Managers's post and Rs.60/- application amount on 30 shares only.

Rs.860/-

Sd. K. Ramanna,
Director.

V. K. Lakshmana Mudaliar & Co.
Sd/- S. Sundara Rao, B.A., LL.B.,
Managing Agents.
(on one anna receipt stamp)

P.T.O.

I return this receipt since the company requires it for their reference in accordance with their endorsement dated - January 1926 and have received back Rs.800/- rupees Eight hundred only as under.

Rs.240/- fully paid for 30 shares only allotment and calls.

Rs.200/- Transferred in favour of my brother for his securit deposit.

Rs.290/- as received in cash.

Rs. 70/- to be received in cash - minus Rs.30/- appointment charges.

Sd. M. K. Sap Sampathkumara
28-1-1926.

Received from the Managing Agents the Mysore Agricultural Dairy Farm Company, Limited the sum of Rupees twenty only as advance towards cattle purchase advance.

Sd. M. K. Sampathkumaran.
26-12-1925.

No.2906 dated 18-1-1926.

The Mysore Agricultural Dairy Farm Company, Ltd.,

Mysore.

comprising the Livestock Compensation Bureau.

Received from Mr. M. K. Sampathkumaran, rupees Two hundred and forty only, being allotment amount and calls paid in advance on thirty shares, plus Rs.60/- paid already before allotment on application amount.

Sd/- S. Sundara Rao,
Managing Agents.

Rs.240/-

(over-leaf)

Refer to P. R. 2710
plus Rs.60/- of P.R. 2710
Thus Rs.300 is made up for
30 shares.

Received two pucca receipts No. 2905, 2906.

Sd. M. K. Srinivasan,
18 January 1926.

P. R. No.2905 10 Date 18-1-1926.

No.2905

The Mysore Agricultural Dairy Farm Co., Ltd., Mysore

Comprising the Livestock Compensation Bureau.

Received from Mr. M. K. Srinivasan, rupees Two hundred ~~and~~ only, being the security deposit amount for sole selling dairy depot manager's post.

Sd/- S. Sundara Rao,

Managing Agents.

Rs.200/-

P.T.O .

Refer to P.R. 2710. Out of Rs.~~&~~ 860/-, Rs.200/- is to go to this man's account.

Adjustments for Rs. 860/- of pucca receipt No.2710.

Rs.300 - for 30 shares.

Rs.200 - for Security of Mr. Srinivasan.

Rs.250/- to be transferred to the dairy accounts.

Rs.40/- paid on,

Rs.70/- to be paid.

Dairy Voucher No. 783.

Rs.20/-

Received ~~from~~ from the Managing Agents, the sum of Rupees twenty only towards my appointing charges of Ramavilas Agrahar, Mysore.

Mysore
22-10-1925

Sd/- S. N. Varadaraj,
Superintendent of Dairy Farms.

Dairy Voucher No. 794.

Rs.10/-

Received from the Managing Agents, the Mysore Agricultural Dairy Farm Co., Ltd., Mysore the sum of Rs.10/- only in full settlement of my appointing charge, re. Mr. Sampathkumaran, Farm Farm Manager, Ramavilas Agrahar, Mysore.

Sd. S. N. Varadaraj,

Mysore, 26-10-1925. 26-10-1925.

Voucher No. D/15-2-1926, for Mr. M. K. Srinivasan.

Received with thanks from the Managing Agents, the Mysore Agricultural Dairy Farm Company, Limited, the sum of Rupees Ten only, in full settlement of the dues to my brother Mr. M. K. Sampathkumaran from the company.

Sd. M. K. Srinivasan,

15th February 1926.

P. R. No.3141 D/29-3-1926. Date 29-3-1926.

No.3141.

The Mysore Agricultural Dairy Farm Company, Ltd.,

Mysore.

Comprising the Live Stock Compensation Bureau.

Received from Mr. M. K. Sampathkumaran Rupees One hundred and fifty only, being the application, allotment and calls paid in advance on fifteen shares only.

Sd/- S. Sundara Rao,

Managing Agents.

Rs.150/-

HR

To.

The Honourable British Resident

in Mysore.

Bangalore.

OFFICE.

529

30/11/26

D

DS

30/11

D-3504/8-12-26

Your Honour,

I the undersigned M K Sampath Kumaran a resident of Mysore, most humbly beg your Honour to go through the following lines and grant a favour of Your Honour's generosity on me.

It might have come to your Honour's notice that a Company under the title of "The Mysore Agricultural Dairy Farm Company Limited" was founded in 1924 in the city of Mysore. I did not know the real fact and figure of the Company and its working until the month of October 1925, as, I had no connection with it till the 22nd day of October 1925. It is on that day, I entered into an agreement as a Dairy Farm Manager at a salary of rupees fifty a month. Before, I entered into that agreement, I never knew the Stuff and Straw of the Comp and a representative of that Company gave only bright light regarding the Company cleverly hiding the Seelik of it. As soon as I was connected with the Company I came to know that in reality the Company was not able to pay even a months Salary to its Staff. So, I asked the Managing Agents to return my security amount of Rs 860/- (Eight Hundred and Sixty) which I had given, as I had no idea to serve in such a Company But the Managing Agents told me that I had no right to ask it back, and so, I had requested them that Rs 200/- (Two Hundred) might be transfered to my brother's favour and the remaining to be converted into shares at Rs 10/- each. So it happened as my request and Rs 200/- was transfered to the favour of my brother. This amount was taken up as a Security for an

appointment of my brother as a Dairy Depot Manager
Sales Agent at Bangalore Cantonment. The
Company when asked for a good quantity of English
ible Butter to be supplied to him, the Company
was not able to supply the same and also not a
single facility was furnished to him. And so, he after
asking the refund of that Rs 200/- resigned. The re-transfe
was effected on a condition that Rs 50/- was to be con-
erted into five shares, and Rs50/- towards the cost of a
Empire" Typewriter, and Rs 100 to be paid in cash.
This was agreed mutually and transacted. On the
verbal promise of the Managing Agent for a good
post to be given to me and on his inducement,
I paid back Rs 100/- to 10 shares more all the
fifteen shares were applied in only one form. But
when the promise was not fulfilled, and the shares
were unallotted. I asked the refund of my Rs 100/-
which the Managing Agents refused to do. I reported
this more than half a dozen times to the Board of
Directors and also to the Registrar of the joint
Stock Companies in Mysore, But all these in va

Your Honour, The Company regulat
binds that the Company should issue Share
ficates within 9 months in the first year the Co
is started and within 3 months in the Second a
subsequent years. Though it is in the Second y
I transacted the share business and though i
nearly one year from the date of transaction ha
place not even the trace of the share certificate
appeared. Though, I reminded them often they
cared not even a straw to requests regarding the
share certificates. Further the Company has gi
me a receipt for Rs 240/- when I paid Rs 2
for 30 fully paid up shares and whe

rectifying that, they would never cease
it remains the same Your Honour does not
come under cheating?

Your Honour, the Company was started
as I learn to develop Agriculture and dairy. But
I learnt that out of nearly forty to fifty thousand
rupees the Company authorities have purchased a
land worth Rs 2000/- nearly and I think no further
development on that land or any place regarding
agriculture has taken place. During 1924—25
The Company sustained a very heavy loss I do
not know when this will be regained. When, I had
requested the Registrar of joint Stock Companies
to rectify this through an officer, he said that some
nearly 1/10 of shareholders (1/10 of issued capital amount)
should apply for aid and till then nothing
done. I was compelled to think that the
regulations of the Companies framed by the
were not able to protect and safeguard
of its subjects from these swindling Compan
Honour, altogether, I have lost Rs 450/- in
Company. Since the Company has not issued
certificates in time, I have a right to claim
amount with due damages. This is an amoun
I got from selling my small inheritance a
a troublesome thing to see that the money
turns to me from the Company. Your Hono
have lost like myself and so, I crave the
fellow sufferers may be save by your H
Generosity if your Honour investigates
source and punish the guilty.

Your Honour, This Company
Business of Cattle insurance under a Vaile
Compensation, in all the British India
and Ceylon. I came to know that insu

business cannot be done in British India without giving a required security to the India Government. I learnt that this Company has not given any such security to Government of India and I fear that may effect very much.

Your Honour, One last thing I beg to point out to your Honour is this. The Company has prepared two Balance Sheets one till the end of 31.10.1925 and the other till the end of 31-12-1925. The difference between these two puzzle me much and so, I had to conclude that there is some mischief played. So, I most humbly beg of your Honour that they may be examined and investigated to save poor sufferers like myself in addition to me.

Your Honour, I most humbly beg that my amount may be asked to be paid back to me and asked that such companies may never be encouraged in future, for which your Honour kindness, I shall be ever grateful to your Ho

V. K. Sampathkumaran

Your Honour's humble petit

29th Nov. 1926

Sampath Kumaran,
Granitha Shala,
Amavilas Agraharam P.O.
Madras.

42843

To

The Chief Secretary to
The Government of His Highness the Maharaja
Mysore
Bangalore.

GEN. & REV. SECTT. Dy. C.R.B 26. JAN. 1927 G. D. SECTION.

1582

J. S. 15—26—R

I most humbly beg to submit this my third petition to you regarding the "Mysore Agricultural Dairy Farm Company Limited" adverting the petition addressed to the Honorable British Resident in Mysore. I request an early reply from you and anticipate same soon.

3686

Of course my petition addressed to the Hon'ble Resident and the same forwarded to you with comments, might have given a clear idea how the above mentioned Company duped me and I had been put to a great loss and difficulty. I expressed the same in my second petition to you Dated 12th January 1926 in which and requested you to help me in the time of my distress. But till today I did not get any favour from you. So, my difficulty, unbearable has made me to write to your kind consideration and kind disposal. Vide I have requested the Registrar of joint Stock Companies in Mysore, Bangalore, to help me in the same in my No. R. P No. 179 dated 15th jan. 1927.

Sir, Since I am unemployed and the only property bequeathed by my father was lost owing to the fake promises of this Company, I have been reduced to almost a poor man. Since, I have spent a lot on typing and registering, I cannot provide to have these letters typed and registered. So, Sir, I request you to take this into your kind consideration and have the company to refund my amount of Rs 450/- with damages at the earliest date which your kindness gives me much relief in this

favour at the earliest date and also crave your favour of an answer in a line by which I shall be very highly obliged.

Sir, if you want evidences regarding this I beg to submit them in person here or at Bangalore and explain all in details. I crave your kindness in this case and an early reply, I anticipate without any disappointment.

Thanking you heartily for your favour,

I beg to remain
Sir
Your most obedient Servant
M K Sampath Kumaran

24th January,

Please address to:-
M. K. Sampath Kumaran,
"Grantha Shala"
Ramavilas Agraharam,
Mysore

GOVERNMENT OF MYSORE.

J. S. 15 - - -

Office of the Registrar of Joint Stock Companies in Mysore.

Dated, Bangalore 4-4- *192*7.

FROM

B. Ramaswamaiya, Esq., B.A., B.L.,
~~V. T. THYAGARAJA IYER, Esq., M.A.,~~
Registrar of Joint Stock Companies in Mysore.

REV. OFFICE 6481

To

N. Rama Rao, Esq., B.A., B.L.,
Secretary to the Government of His Highness
the Maharaja of Mysore, Development Departments,
Bangalore.

S i r

I have the honour to forward herewith, 3 copies of the sheets with the auditor's report received from the Mysore gricultural Dairy Farm Company, Limited, Mysore.

(2) The balance sheet as at 31st October 1925 is said to have been prepared by the auditor Mr. G. V. Eswariah, certified auditor though it does not bear his signature. It is stated to have been circulated also among the shareholders of the company which should not have been done as it is not audited. The meeting before which it should have been placed was declared to be invalid by the shareholders present thereat. So it cannot be considered as the balance sheet to be filed with me under Section 134 of the Mysore Companies Regulation.

(3) The company was subsequently asked to prepare 2 balance sheets one for 1924 and the other for 1925 and send them to this office as required by Section 134 after they were placed before the general meeting. Accordingly the said balance sheets were prepared and sent to this office with the auditor's report and the copies of the proceedings of the meeting at which they were placed.

(4) Even though the balance sheet as at 31st ~~December~~ October 1925 has not been audited by the auditor and signed by the Directors as correct (which is usually done by simply signing a balance sheet at its foot) it was prepared by the auditor himself

who should have audited it and signed by the office and the Dairy Managing Agents who are also the Directors of the company. The Profit and Loss account has been signed by all the members of the Firm of Managing Agents. The balance sheet and the Profit and Loss account may therefore be assumed as correct for all practical purposes.

(5) The auditor's reports on the balance sheets fc 1924 and 1925 reveals a very unsatisfactory state of affai On comparing the balance sheet as at 31st October 1925 wit that as at 31st December 1925 and also on reading the -- auditor's report I called for certain explanations on the balance sheets from the company under Section 137 of the Regulation. (Vide copy of this office Memo No.1078 dated 7t February 1927 herein enclosed). The explanations are fur nished by Mr. V. K. Lakshmana Mudaliar of the Managing Agents' firm (vide copy of the Managing Director's letter dated 17th February 1927 and a copy of its enclosures here enclosed) and on a perusal of the same I am of opinion tha

e balance sheet as at 31st December 1925 discloses an satisfactory state of affairs e.g. a large sum of Rs. 56-8-0 has been deducted from security deposit which had t yet been forfeited, thereby showing the liabilities le an what they were, no amount has been deducted for depre iation as it obviously increases the losses, the total ount collected from premiums on livestock registration h en shown as profit without creating a fund for meeting r ure claims, the figures shown in the balance sheet abod ndry debtors and sundry creditors are stated by the -- litor not to tally with the list of sundry debtors and c ors; acknowledgements were also not taken from the ndry debtors; advances of longstanding have not been usted; loans are granted without security, even the k Pass books were not produced before the auditor for ifying the cash at Banks etc. etc. etc.

(6) The Ex-officio Assistant Registrar of Joint Stock Companies, Mysore District, who had been asked by me to inspect the company has done so and a copy of his confidential letter No.214 dated 28th January 1927 together with a copy of its enclosures about the state of accounts is herein enclosed.. The Assistant Registrar recommends that immediate action may be taken to wind up the concern. The Regulation does not empower me to wir up companies.

(7) The Inspector General of Police has stated tha he had been requested by Government in their letters No: P.1540 dated 29-9-1926 and Camp P.61 dated 17-19 (12?)2(to institute enquiries through the C. I. D. Inspector re garding the working of the company and that accordingly he deputed Mr. Seshagiri Rao, C. I. D. Inspector and ha: forwarded a copy of his report and has expressed the opinion that it is difficult to successfully book the principal persons of the company who appear to him to b(swindlers without a thorough checking of the accounts, registers, references, etc., maintained at the head off: hat Inspectors appointed under the companies Regulatio: an easily get at all such registers etc., and that the fficers of the Police Department cannot have access to hem in the absence of any complaint from an aggrieved owing the commission of a cognizable offence.

(8) In reply to this office Memo No.1078 dated 7-2-1927 ll the present and past officers of the company should ave furnished their explanations within the prescribed ime as required by Section 137 (2). But they have been urnished only by Mr. V.K. Lakshmana Mudaliar of the Manag gents' firm. It has however been stated in one of the anaging Directors letters that the explanations were unde: irculation among the Board of Directors but as they bear o evidence of their having been so circulated the expla-

nations

f the Directors for their not furnishing the explana-
tions have been called for and a report of the action
hat I propose to take will be intimated in due course.

(9) The Managing Director has forwarded with his letter No.1007 dated 16th March 1927 the explanati(of the Managing Agents (copy enclosed) on the lists of differences shown in the books etc., referred to by th(Auditor in paragraph 7 of his report. They require careful examination in the office of the company.

(10) Considering that the balance sheet as at 31st December 1925 and the auditor's report disclose a unsatisfactory state of affairs I would suggest that a inspector who has passed the G. D. A or other higher examination and who has experience in auditing the -- accounts of companies may be appointed under Section 1 (iv) to investigate the affairs of the company. As regards the cost of investigation, it may be ordered t(be met by the company under the provisions of Section 141 (3) of the Regulation.

I have the honour to be,

S i r ,

Your most obedient servant,

A Ramaswamiar

R E G I S T R A R .

Copy of Memo No.1078 dated 7th February 1927 from the Registrar of Joint Stock Companies in Mysore, to the Mysore Agricultural Dairy Farm Co., Ltd., Yalakkachari's Building, Railway station Road, Mysore.

With reference to the balance sheets of the Mysore Agricultural Dairy Farm Company, Ltd., as at 31st December 1924 and 31st December 1925 and the Auditor's Report forwarded by the Managing Director of the said company with his letter No.6813 dated 12-10-1926 the said company is hereby ordered under Section 137 of the Mysore Companies Regulation to furnish within ten days from the date of this memo explanations on the following points:

(1) It should be explained why a loss of only Rs. 10,294-3-6 has been shown in the balance sheet as at 31st December 1925 while in the balance sheet as at 31st October 1925 it was shown as Rs.22673-10-1.

(2) Security deposit of Rs.16123-15-0 is a liability to be met by the company on demand. When such is the case why has it not been invested in some sound Bank or otherwise so that it may be readily available.

What are appointing charges? Why has such a large sum as Rs.4666-8-0 been incurred thereon? To whom has it been paid? Why has its deduction to be made at a future date from security deposit to be forfeited at a future date been entered under Liabilities, when a balance sheet should show at any given date what has taken place from the xxxx time when the financial operations were commenced.

(3) The Auditor has remarked that the figures shown in the Balance sheet under Sundry debtors and S creditors do not tally with the lists of sundry debtors and creditors. He has also remarked that acknowledgments have not been taken from the sundry debtors of the Head office and the Dairy branch. Explanations for the differences and for the omission to take acknowledgments should be furnished.

(4) Advances of long standing are stated by the

Auditor to have been still unadjusted. This should be explained.

(5) Why no depreciation has been written off from th cost of land, furniture, machinery etc., as required in Form F appended to the Mysore Companies Regulation shoul explained.

(6) Printed literature and stationery to the value of Rs.2577-14-5 has been shown under Assets in the balance sheet as at 31st December 1925 while "Printing and stationery charges to the value of Rs.2824-12-9 was shown under loss under Profit and Loss account attached to the balance sheet of October 31st 1925.

Explanation should be furnished for the different treatment of this item on the two occasions.

(7) According to the balance sheet of October 1925 the value of stock of stationery as per valuation of the Managi Agents was Rs.200-2-2. If this item is included in "print Literature and stationery" it should be explained what the value of stationery was on 31st December 1925 and what the value of printed literature was.

(8) The item chief Agent's allowance (to be recovered out of seniorage) requires explanation. Who is the chief agent and how long will it take to recover the total amount of Rs.1857-9-1.

(9) Why no distinction has been made between good and bad debts. Are all debts good and covered by proper securities?

(10) Cash at Banks Rs.631-11-3. The Auditor has remark that Pass books were not shown for verifying this. It should be explained why the Pass books were not produced.

(11) In the balance sheet as at 31st December 1924 the preliminary expenses are shown as Rs.1715-2-0 while in the balance sheet as at 31st December 1925 they have been given as 1546-6-7 (corrected) This should be explained.

In the profit and loss account attached to the

balance sheet as at 31st December 1925 Rs.7758-5-3 is shown as salary. The Auditor says that no regular bills have been filed in all the cases and therefore it is difficult to see whether all the payments shown were actually due to the parties on the dates of payment. It should be explained why no bills were filed.

(12) The entire premium on Live Stock Registration (6877-5-0) has been shown as profit. It should be explained how it could be shown as profit when it should be kept as a reserve for meeting the claims from owners of animals.

(13) Explanations should be furnished on the lists of differences and irregularities given by the Auditor.

(14) Lease advance of Rs.720 has been written off. The necessity for writing off this large amount should be explained. Receipt of this letter may be acknowledged and a reply with full particulars sent to this office within the time prescribed, viz., ten days, on failure of which such further action as may be considered ~~necessary~~ called for will be taken in accordance with the provisions of the Companies Regulation.

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"C O P Y"

Sd/ R E G I S T R A R.

The Managing Director,
The Mysore Agricultural Dairy Farm Co., Ltd.,
Mysore.

Dear Sir,

With reference to your No.569 dated 8-2-1927 forwarding the letter of the Registrar of Joint Stock Companies in Mysore, Bangalore, No.1078 dated 7-2-1927 requiring under Section 137 of the Mysore Companies Regulation to furnish explanations on certain points in the Balance sheets as at 31st December 1924 and 31st December 1925 and in the auditor's report, I have to state as follows:

(1) Loss as shown in the Balance sheet as at 31st October 1925. Rs.22,673-10-1
-do- 31st December 1925. 10.291--3-6
Difference Rs. 12,382--6-7

The above difference of Rs.12,382-6-7 is due to the fact that the Balance sheet prepared as on 31st October 1925 was not an accepted one as can be found from the remarks of the Directors thereon and as it was also not audited, the following items, although they were not actual loss for the period, was treated as such in the said balance sheet, which were not rectified. Since the balance sheet to end of December 1925 was verified and certified by the Directors as well as the Auditor, the above misplacements were rectified and brought to the proper statements. Hence the difference.

The following are the items treated as loss in the Balance sheet as on 31st October 1925.

(a) Appointing charges Rs.3999-0-0

Although , this is an expenditure incurred by the company during the period, this is not an item of loss, as this is not a recurring expenditure in every year.

The District Agents were appointed by the

~~company~~ Chief agents for a period of ten years with guaranteed business failing which their security deposits of Rs.200/- each have to be forfeited. The Chief Agents were paid appointing charges at Rs.100/- per appointment on the above provision of guaranteed business of the District Agents and on failure of the business, forfeiture of their security deposits. Hence this should be met out of the profits earned by the company on the guaranteed business of the District Agents and if there would be no profits, by the forfeiture of their security deposits. Hence this cannot be treated as loss, as this was not paid as remuneration for the appointing agents only for the period covered by the profit and loss account. Even if no adjustment is made as stated above, this should be spread over for 10 years from the 2nd year of the appointment of district Agents, since the appointments were made for ten years and for which this item of expenditure was incurred. This was paid to the Chief Agent to meet ~~his~~ their travelling expenses, advertisements their representative's remuneration and other incidental charges.

(b) Printing and stationery charges.

Amount shown as loss in the balance sheet as on 31st October 1925	Rs.2824-12-9
-do- balance sheet as on 31st December 1925.	Rs. 572-15-10.
Difference	2251-12-11.

In the balance sheet as on 31st October 1925 the amount spent on printing literature has been shown as loss in full. As the printed literature was not consumed during the period alone, the total amount could not be shown as loss for this period alone. Hence, the printed literature used up during the period was shown under loss in the revised Balance sheet for 31st December 1925; and the stock on hand was shown as such, for spreading over future years as they are consumed.

(c) Depreciation shown as loss in the balance sheet for October 1925.

Copy of letter No.777 dated the 17th February 1927 from the Managing Director, Mysore Agricultural Dairy Farm Company, Ltd., to the Registrar of Joint Stock Companies in Mysore, Bangalore.

In continuation to this office No.741 dated 16-2-1927, I beg to submit herewith the explanations furnished in reply to your No.1078 of 7-2-1927.

"C O P Y"

for Registrar.

20 per cent of the preliminary expenses wiped off	369-14-5
20 per cent commission on shares wiped off	120-10-0
Depreciation on furniture etc.	75--3-6
	565-1-11

As the period under review was the beginning stage of company's business, the above depreciation was not allowed in the revised balance sheet, as no company will be expected to wipe off the initial expenses incurred in the beginning during that year alone, as otherwise, ~~th~~ there would be no necessity for treating the above expenses as such. Besides as the furniture, etc., were now, they were estimated at cost price at the end of the period and it was considered that no depreciation was necessary during the first year alone.

(d) Premium on Livestock Registration. 6877-5-0

This item was shown under liability in the balance sheet as on 31st October 1925 by wrong classification. Usually, the animals are being registered by sub agents. There are numerous initial expenses, such as commission to the sub agent who registers the animal commission to the district ggent, commission to the chief agents, and the cost of Livestock registration forms, hand bills and other literature to publish the scheme. All these expenses are charged off to the respective accounts and brought under losses in the revised balance sheet. As the company has to incur expenditure of these kind considerably to a large extent in the first year to cover those expenses as it was proposed by the directors to the shareholders in para 13 page 2 in their report attached to the balance sheet under review, as "it is intended to take the first year's collection, after providing for the death claims of that year, under profits as is usually done in all Life Assurance companies. A separate fund called the Livestock registration Fund" will be created out of the premiums collected in the second and subsequent years, which will be invested in such a

in such a manner, so that it will be available to meeting the death claims promptly. The company fee and the Livestock certificate fee will only be utilised towards the cost of maintanance of this department. And the shareholders in the general meeting held on 3-10-1926 accepted the proposal, provided the Actuary and the auditor approve the same. Accordingly the Actuary and the auditor were addressed in the matter and the Actuary replied that the subject will not come under the scope of the Actuary's opinion as it is a question of account matter. The auditor replied that this can be treated as a profit, as he agrees with the view of the Directors vide para 13 page 2 of the Director's report quoted above.

Under the above circumstances, this has been taken under profits head in the revised balance sheet with the effect that loss to this extent has been decreased in the total loss shown in the Balance sheet as on 31st October 1925.

Total	13,693-13-10

Loss as shown in the Balance sheet as on 31st December 1925.	10,291--3--6	
Total loss shown in the B/S as on 31-12-1925.	22,673-10-1	
Deduct items explained above.....	13,673-13-10	
		8,979-12-3
Excess loss shown in the Balance sheet as on 31st December 1925.		1,311-7-3

This is the actual loss incurred for the months of November and December 1925.

2) Security deposits. Rs.16,123-15-0

The Security deposits were received from the District agents at Rs.200/- and Inspectors at Rs.50/- each and subagents at Rs.15/- each under an agreement with them. The security deposits of the District agents and the Inspectors are repayable after 10 years and that of the subagents after one year as per terms of their agreements. All the expenses incidental to the appointments of these agents, such as appointing charges to Chief agents at Rs.100/- for each appointment of District agent appointing charges to District Agents at Rs.9/- per appointment of Subagent, etc., were met from these security deposits as they are repayable at a long specified period

as per agreement and hence not invested in any Bank. To meet this Liability, provision has been made to deposit the 75 per cent of the collection of each district in a Bank there alone, with the object of utilising the funds for opening Dairy depots in that District, when funds accumulate after meeting the liabilities within the District, vide para 11 of the Directors' report attached to the balance sheet.

Appointing Charges.

As expected in para 1 (a) Supra, a sum of Rs.100/- for each appointment of District Agent was paid to Messrs R. K. Naidu & Co., Chief Agents for Madras and Bombay Presidencies. A major portion of expenditure under this head was paid to Messrs R. K. Naidu & Co., Chief Agents to Madras and Bombay Presidencies and a small amount to Messrs. H. Nanjunda Rao, Chief Agent, Bangalore M. Sreekantiah, Chief Agent, Hassan, M. Subba Rao, Mysore, G. S. Kamath, Chief Inspector for Madras Presidency.

As the appointments of District agents were made for a period of 10 years, the large sum paid under this head is not for only one year under review, but to cover up the whole period contained in the agreements of several district agents. Hence, this item has been shown by deduction in the liability as an asset, to show exactly the financial position of the company on the date of the balance sheet, since this was not an item of loss for the period covered by the Balance sheet. The reason for showing this by deduction under liability in security deposits, is, that in as much as this expenditure has to be charged off against the future profits for which the security deposits were received as a guarantee, and as the security deposits are liable to be forfeited by the company if there would be no future profits and as the company cannot depend upon a future profit which is uncertain, the security is the provision to charge off this expenditure until profits are made.

(3) As no separate personal accounts with a consoli dated total sundry debtors and sundry creditors were opened, accounts treated as sundry debtors became sundry creditors and vice versa as observed by the auditor. Hence lists did not tally with the lists of sundry debtors and sundry creditors. Hence a separate ledger for personal accounts has been opened from 1st January 1927 as suggested by the auditor. As the partners of the Managing Agents' firm in charge of office and Dairy branch, were since resigned, I have addressed them to explain the omission to take acknowledgments from the sundry debtors, and I shall submit the same on receipt from them.

(4) The advances of longstanding were not adjusted on account of many frequent changes in the management. This will be attended to now.

(5) As explained in para 1 (c) above, it was considered that no allowance for depreciation was necessary in the first year alone, as the furniture, machinery and land were estimated at cost price alone, at the time of preparing the Balance sheet.

(6) The total amount spent under printed literature and stationery to end of December 1925 was Rs.3150-14-3 of which the stock consumed for the period was 572-14-10

The balance of Rs.2577-14-5

is shown as asset in the Balance sheet as on 31st December 1925, since there was a stock of stationery and printed literature to the extent of the amount shown.

In the balance sheet of October 1925, the total amount spent on printed literature was shown as a loss without taking into consideration the stock on hand at that time, on the ground that the printed literature will be of no value, since the name of the company is printed on them and they will be of no use to any others. Although they are not of any value to any others, they are essential to the use of the company and the unused literature, is an asset to the company and hence the stock was valued at the cost price.

(7) As explained in para 6 above, only the stock of stationery on hand was shown in the Balance sheet, for 31st October 1925 at Rs.200-2-2. This was included in the printed literature and stationery shown in the balance sheet.of 31st December 1925. The value of stationery as on 31st December 1925 was Rs. 257-4-0. The increase of stock was due to the purchase of stationery during the months of November and December 1925 to the extent of Rs.105-7-6. The printed literature consists of Livestock proposal forms, Prospectus in English and different vernaculars, pucca receipt books, temporary receipt books, livestock certificates, share certificates, Memorandum and Articles of Associations, Livestock death Intimation forms, death claim forms, allotment and call notices, reminder notices hand bills etc.

(8) Office allowance was paid to the Chief Agents Messrs. R. K. Naidu & Co., Chief Agents to Madras and Bombay Presidencies towards their monthly establishment and other charges on their guaranteeing to register and keep on roll every year 20,000 animals. The seniorage commission that would be earned by them at 0-2-0 per animal would be Rs.2500/- per year on the above guarantee and the amount of Rs.1857-9-1 is expected to be recovered in one year's time. If no guaranteed animals are registered, early steps are to be taken for the recovery of the advance.

(9) This being the first year of the company's business transactions, it is not possible to make any distinction of good and bad debts at this early stage. Hence, all sundry creditors are treated as good debts. No securities were taken.

(10) The then Managing Director Mr. J. Shankaralal was in charge of all the Bank pass books. His explanation has been called for to state why the pass books were not produced to the auditor, and on receipt of his explanations, the same will be submitted.

(11) At the end of December 1924, the amount spent on preliminary expenses was Rs.1715-2-0. During the year, the debits to the account was Rs.156-4-7 and the total came up to Rs.1871-6-7. A sum of Rs.325 was charged off to this account before the statutory report towards advertisement charges paid to Messrs. Saravanam & Co. As it was understood, during the period under report that the amount advanced for advertisement was not accounted for, the same has been debited to"Advance to Advertisement charges", and credited to the Preliminary expenses account. Hence the difference.

(12) Explained in para 1 (d) Supra.

(13) Since the other two partners of the Managing firm Messrs. S. Sundara Rao and K. Ramananna who were in charge of the office and Dairy branches during the

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period under review, have resigned their posts, their explanations have been called for and on receipt they will be submitted.

(14) The company entered into an agreement of lease of the Keragalli Indigo Estate of Mr. V. K. Lakshmana Mudaliar as per clause 111 H & I, of the Memorandum of Association, and the same was cancelled by mutual consent of the parties. As consideration ~~for~~ for the cancellation of the lease the advance was written off as per resolution No.7 dated 10-2-1925 of the organising Committee.

Yours faithfully,
For the Mysore Agricultural Dairy Farm Co., Ltd.,
V. K. Lakshmana Mudaliar & Co

Sd/- V. K. Lakshmana Mudaliar & Co.,
Managing Agents.

"C O P Y"

NPS.

Registrar.

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Copy of Confidential letter No.214 dated the 28th January 1927 from A. V. Ramanathan, Esq., B.A., Deputy Commissioner and Ex-Officio Assistant Registrar of Joint Stock Companies, Mysore District, to the Registrar of Joint Stock Companies in Mysore, Bangalore.

In continuation of my letter No.180 dated 8th January 1927, I have the honour to forward herewith a copy of the detailed notes of my further inspection of the Registered office of the Mysore Agricultural Dairy Farm Company, Ltd., held on the 12th and 17th January 1927.

It will be seen therefrom that Dairy Branch not having worked well, was closed since 1st April 1926. There are apparent defalcations, as the cash book shows. The disposal of the stock has not been duly accounted for.

In the Livestock compansation scheme, the state of accounts kept is anything but satisfactory. There are now two chief agents for the whole of India both residing in Mysore and there are a large number of District Agents, Sub agents and Inspectors appointed both in and outside Mysore having in possession of receipt books and forms of the company. None of them have been rendering any periodical reports and accounts of their doings, nor any control or check is being exercised over them to safeguard the public against frauds if any committed by them. The business is being managed at the Head office in such a way that almost all the policies under the scheme have lapsed and the policy holders are now at the mercy of the company to get them revived.

My review of the balance sheet shows that the funds of the company were grossly mismanaged resulting, in serious losses to the company, thereby no immediate -- prospect of recovery from its effects. The shareholders of the company having realised the situation of their

General meeting held on 30th September 192x and 3rd October 1926 appointed a committee to investigate into the accounts but the Committee has not so far done any work. Recently one of its constituents died and the Managing Agents have been given legal advise against allowing the remaining members to proceed with the work,

In these circumstances, I would strongly recommend that immediate action may be taken to wind up the concern in the interest of the share-holders and the General Public.

I understand that the C.I.D has collected some information. The desirability of launching a prosecution may also be investigated.

"C O P Y"

for REGISTRAR.

Notes of inspection of the Registered Head office of the Mysore Agricultural Dairy Farm Company, Limited, comprising the Live Stock Compensation Bureau.

Name of Inspecting Officer with designation.	A. V. Ramanathan, Esq., B.A., District Registrar and Ex-Officio Assistant Registrar of Joint Stock Companies, Mysore District.
Date of inspection.	12th and 17th January 1927.
Date of Previous inspection.	7th January 1927.

I LIVE STOCK COMPENSATION SCHEME

(i) The accounts of this branch are not kept properly. There is no register of applications for registration of Live Stock showing those received accepted and rejected. It is not possible to say how many applications have really been received in the office but Mr. Gangaraju, Managing Director says that he has counted 3236 applications. In the Live Stock certificate Register however, only 1913 animals had been registered till 14th October 1926. This register is now being written up. The latest entry is 2389 and therefore there are at least 847 more to be registered. No entries were made between 28-9-1925 and 19-5-1926. There is no serial number for the stock certificates issued as the forms in stock are not serially numbered. It is stated that only 400 certificates have so far been issued.

(2) The Live Stock Certificate Register shows the first premium received and there is no space for entering subsequent premiums. Though several months have elapsed in the second/subsequent years and there is no ledger opened to show the total amounts received in each case, though there are instances in which second premiums were received. A new Live Stock Ledger has now been got printed and the certificates in force have to be entered therein.

(3) There is no separate register of applications

for death claims. There is a file of such claims. There have been 9 claims. One has been settled by a loan of Rs. 25/- as per rule 4 (B). Four cases in which all prescribed forms have been submitted are pending from 19-7-1926 and subsequent dates. In four others, the prescribed form has been sent on 6-1-1927 for being filled up and submitted. There is no satisfactory reason for the delay in settlement of the other 4 claims. An application for claim dated 1.9.1925 and received in the office on 2-9-1925 registered (R.No.2082) from one Venkataboyi, Chennapatna Taluk (Live Stock No.21) was found among the proposals pending registration. On this no action appears to have been taken till now. It was not in the claims file, and it is now transferred to the claims file.

(4) There are two Chief Agents both at Mysore, Mr. R. K. Naidu and Mr. K. Ramaswamiengar. Mr. R. K. Naidu's jurisdiction is over Madras and Bombay Presidencies. The late Mr. C. Krishnamurthy Sastry Director was the Chief Representative of the Mysore State except Kolar District. There are a number of agreements with Mr. K. R. Iyengar and V. K. Lakshmana Mudaliar of the Firm of Managing Agents is not able to give a definite reply as to which of these agreements is in force, and what rights and liabilities this K. R. Iyengar has with the company. He is positive that Mr. K. R. Iyengar has done no business for the company. This gentleman wrote on 10/15th September 1926 that there were applicants for District Agents' post from Bengal etc. and that he has not received the requisite forms and literature. No action has been taken thereon as yet.

(5) There are 48 District Agents and 84 Inspectors and 555 sub agents. There are lists of these but there is no record here to show how many temporary receipt books have been supplied to each of these. The Managing Agents (Mr. V.K. Lakshmana Mudaliar) says that the Chief Agent and the Chief representative were alone supplied with the books and

and they distributed them. The books with Mr. late C. K. Sastry have not yet been withdrawn. No report is being received from the Chief Agent and none was received from the Chief representative as to the work done by the several agents and Inspectors and as to how many of them are dead or are alive. There is no definite record as to the number of receipt books that were issued. There has been no regular correspondence with the Policy holders nor have notices been issued for payment of subsequent premiums. In fact, even formal receipts and acknowledgements for receipt and registry of applications for insurance were not issued and in effect practically every Policy has lapsed and its revival under Rule 9 A (C) of the Rules for the Live Stock Compensation Bureau is purely at the discretion of the company and there is no guarantee that the company will exercise the discretion in favour of the clients.

(6) The company thus in effect distributed far and wide a number of persons authorised to collect money on its behalf and armed with printed forms etc., but there has been no control over them and not even on the Chief Agents and Representative. And there is no knowing how many people have been defrauded by the numerous agents and whether all or any tangible portion of the amounts collected by them has reached the company.

II. DAIRY BRANCH.

(1) The business of this branch is stated to have been stopped since 1st April 1926.

There is a rough Cash book written up to end of August 1925 and a clean cash book written up to 27th March 1926. There is good lot of variations between the rough book and clean book (vide auditor's notes). There have been several scorings and alterations of figures. The clean book shows that the totals of receipts and expenditure were struck once in a month or so. Even this monthly total had not been struck ~~since~~ since January 1926,

hat is to say, the cash book had not been closed till -10-1926 though the daily business is said to have stopped ince April 1926. The total is since struck. The book oes not show any signs of the cash balance having been xamined on any day. According to clean cash book the alance on 18th November 1925 was Rs.700 and odd. On this ery day, the dairy manager Mr. K. Ramanna ceased to be in ffice. He has apparently not handed over charge of the ash etc., to any body. On the 27th March 1926 (up to hich date the cash book is written up) the cash balance orks ~~to~~ out to Rs.260 and odd (leaving out the above item) nd this also has not been accounted for by Mr. Sundara Rao, ho was said to be in office as Dairy Manager till 15th pril 1926, after Mr. K. Ramanna left the same.

(2) There is no register kept showing the animals purchased for the Dairy and their disposal.

(3) Debits to Dairy in the Head office accounts and Credits to Head office in the Dairy accounts do not tally. On 31st December 1925 (up to which the accounts are made up) there was a difference of Rs.736-12-6, the Head office debits being in Excess (vide auditor's notes).

(4) There is no daily abstract of stock of purchases, production and sale to show if all the stock is accounted for.

III. GENERAL CASH BOOK (Head Office)

(1) There is a rough cash book written up to 17th July 1926 and the rough book has been discontinued since hen. Till 9-10-1926 the clean cash book had not been ritten ~~upto~~ up for the period from 17th May 1926 to 22nd uly 1926. From the latter date a separate clean cash ook is being maintained. Ledger accounts also had not een posted from a very long time but this being written up ow. There are numerous transactions for which there are ither no vouchers or the amounts shown in the voucher iffer from the amounts shown in the books. These have

have been pointed out by the Auditor also (Vide appendix to his audit report).

The clean cash book shows a balance of Rs. 15-2-4 while the Katcha book shows a nil balance on 31-12-1925 and the balance sheet shows a cash balance of Rs.30-0-1 at the Head office.

(2) CASH AT BANK. According to balance sheet, the balance at the credit of the company was Rs.631-11-3 on 31-12-1925 - no pass books were produced before the auditor - only the pass book relating to the City Co-operative Bank was produced at the time of inspection. The balance shown in the pass book differed from the balance shown in the ledger account of the company as on next day.

IV. PROFIT AND LOSS ACCCUNT.

(1) As observed in para 11 of the Inspection notes sent on 8-1-1927 to the Registrar a profit and loss account was drawn up to a period ending 31st October 1925 and published in April last. This showed a loss of Rs. 22,673-10-1 while the Profit and Loss account prepared up to a period ending 31st December 1925 shows a loss of only Rs.9,966-3-6. It is not that the company made any profits during these two months but in the 2nd Profit and Loss account some of the items of loss have been taken to the asset side of the balance sheet and some items of liability have been transferred to profit account, as noted below:-

(2) Rs.4668-8-0 is the appointing (i.e. remuneration for securing candidates) charges, paid to the Chief Agent finally and not as an advance recoverable from him and is therefore an item of loss (expenditure). This item instead of going to Profit and Loss -- Account has been shown as an asset in the Balance sheet, in the shape of a reduction of liabilities under "Security Deposits" received from District Agents and Sub Agents. This has been sought to be justified on the ground that

the District Agents and Sub Agents have not done guaranteed business and their security deposits are liable to forfieture under the term of their contracts and therefore this sum of Rs.4666-8-0 could be wiped out of it. But no list has been prepared to show the names of agents and whose security was intended to be forfeited. From an examination of the working of the company it -- appears that almost all the agents have failed to fulfill their agreements. According to the wordings of the balance sheet, the enforcement of the contract has yet to be done on some future date and no forfeiture has yet been declared. It is only when the deposits are actually forfeited, that the amounts of forfeiture can be shown as profit and when that happens, the entire deposit would disappear as a liability and not merely the amount paid to the Chief Agent as appointing charges.

(3) The entire amount of Rs.6877-5-0 premium received on Live Stock registration have been shown as profit. But there is no reserve kept for meeting future claims on the ground that the entire first year's premium in all insurance companies is utilised for expenditure.

(4) Rs.2577-14-5 being the charges for printing and stationery which appeared as an item of loss in the 1st Profit and Loss Account has been shown as an asset in the present balance sheet as stock of literature and stationery. The stock has been certified by the Managing Agents only. The Auditor is silent about this. The value of stationery was only Rs.200/- on 31-10-1925 (vide balance sheet of that date) as valued by the managing agents themselves.

(5) Depreciation of Rs.565-11-11 on the assets of the company was claimed in the First profit and Loss account but in the subsequent balance sheet properties have been valued at their original price and no depreciation has been allowed. Further even among the items of loss

shown in the profit and loss account for the period ending 31-12-1925, there are items of expenditure which were unnecessarily ~~xxx~~ or unauthorisedly made for instance; (a) salary Rs.7838-5-3. This huge sum is in addition to Rs.2806-7-2 paid to Managing Agents for their allowance, and includes salary paid to agents and sub agents, etc. As observed by the Auditor there are no regular bills prepared and passed to show that the amounts paid were actually due at the time of payment.

(b) CONTINGENT AND TRAVELLING EXPENSES.

Rs.1374 and Rs.567-0-0.

These are being incurred without any restriction whatsoever. There is no budget passed by the Director or by the General body fixing a limit within which the Managing Agents are competent to incur expenditure.

(c) Rs.76-11-0 Repairing charges:- Special sanction should have been received as the office was situated in a rented building.

(d) Rs.152-0-4 interest paid. No provision in the Article of association, not passed by a resolution of the Directors.

(e) Lease advance written off Rs.720/-:- The Directors of the company entered into an agreement with Mr. V. K. Lakshmana Mudaliar the Managing Agent, whereby the company had to take lease of land held by Mr. V. K. Lakshmana Mudaliar at Keragalli, and also to take over the existing stock in trade and they also made an advance of rent viz., Rs.720-0-0. This agreement was entered into evidently without proper investigation or previous inspection of the land or stock in trade. Subsequently a Committee of Directors who inspected the land etc., reported to the effect that there was grave misrepresentation of facts and figures, and the Directors wanted to rescind the contract but Mr. Mudaliar did not agree to this except on the condition of writing off the advance made to him and of granting him a loan of Rs.5000 on

on the security of the seiniorage commission to be earned by him in the years to come in the Live Stock Compensation scheme. Though some of the Directors protested, these conditions viz of forgoing the advance and of granting the large loan without any security was accepted.

V. Balance sheet as on 31st December 1925.

The auditor's report and further investigation into accounts and records show that the balance sheet does not represent the correct and true state of affairs as on that date.

A S S E T S . Some of the items of asset are unreal while some have not been shown at their proper -- value.

(1) Cash on hand and at Bank Rs.1310-5-0.

It has been pointed out in paras II and III that the cash on hand at the dairy was not forth-coming cash on hand at the office did not tally with the balance of cash book and the Bank balance were not verified with Bank Pass books on that date.

Stock of charcocal. Rs.56-5-0.

(2) The charcoal is said to have prepared out of the wood standing on the company's land and the cost of preparation amounted to Rs.110-5-0. There is no account to show how many bags of charcoal were made and what they were valued at. The value of stock now shown is apparently the difference between the cost of preparation and the value realised by sale and not the difference between the real value of charcoal formed and that issued. There is no evidence of even this amount having been realised since 1st January 1926 till this date.

(3) The amount of sundry debtors on personal accounts, viz., Rs.7048-7-0 does not tally with the -- total as per list of sundry debtors prepared on that -- date, most of these items are long outstanding without any proppect of recovery and without any action taken for

for recovery or adjustment. The company gets no interest or other profit on this huge sum of its capital and there is no security for return of the money. Mr. V. K. L. Mudaliar was himself a debtor to the extent of Rs.2,225-8-9 on personal account besides the loan granted to him.

(4) Rs.3.315-10-9 advances includes advance of salary Rs.2300-15-9 and advances of commission etc. There are no provisions in the articles to pay such advances, sanctio of Directors was not obtained. There is no security for return of the money and no profits are derived by the -- company from the amounts thus advanced.

(5) Chief Agents allowance Rs.1857-9-1 to be recovere from the Seniorage commission to be earned byhi

This is an item of loss rather than an item an item of asset. It is not known what amount of commission he has earned and whether he would earn so much amount after all. This again an unsecured advance to be wiped off out of the profits at some future date if any profits accrue at all and not a real asset in the hands of the ompany on the date to which the balance sheet refers.

(6) Loans Rs.4462-6-0. It was observed in para V (e) how a loan of Rs.5,000/- was sanctioned to Mr. V.K. akshmana Mudaliar, the Managing Agent without a proper ecurity. Out of this amount he has drawn(in instalments) p till now a sum of Rs.1375/-. He has been drawing in- talments at his will without the Directors further sanctio he loan register shows no payment of interest by him so ar. Mr. V. K. L. Mudaliar has again drawn a loan of Rs. 00/- fromthe Dairy without the Director's approval.

There are some other items of loans for which onds are not forthcoming and some have not been sanctioned y the Directors. But the Managing Agents have been given ower to grant loans up to Rs.100/-

Loan to Mr. M. S. Srinivasa Rao, Rs.100/- No ond is forthcoming.

Loan of Rs.300/- to Mr. Rajam Iyengar no bond;; anction of directors not obtained.

Iii) Loan of Rs.300/- to Chennapatna Inspector, sanc of Directors not obtained.

The loan register is not written up since December 1925. Loan of Rs.100 granted to Bharamappa Basantappa not brought on the loan register. Though in several cases the loan hoders have failed to pay instalments or interest as per terms of the bond, and prospectus issued by the company no action is being taken for a long time.

(7) Landed property Rs.2504-2-0.

A plot of land in the Hunsur Taluk, belonging to one Boramma wife of Kenchaiya was negotiated for being purchased at a cost of Rs.5,000/-. Accordingly a sale deed for Rs.5,000/- was registered but subsequently on a report of inspection of land, the sub-committee in their resolution dated 4-11-1925 reduced the price to Rs.2800/-. It is said that the consent of the party was obtained for the reduction there is no fresh bond executed by the party for Rs.2800/- in such a case. There is no voucher from the party for receipt of the amount. In the ledger account payment of Rs. 2030 plus 110 on this account is shown on 9-6-1925, On referring to the cash book, the amount is shown as agricultural expenses. No receipt from the party was produced ~~from the~~ before the auditor nor during the present inspection. Mr. V. K. L. Mudaliar says that the papers are with Mr. B. Narasimhaiengar Legal advisor in connection with a suit by Mr. Banumaiya against the company and Kenchaiya and Boramma.

(8) Suspense account 1033-9-1.

From perusal of the ledger it will be seen that this is the figure made up for the purpose of balancing.

VI. General.

(1) From the above, it is apparent that the business of the company was not being carried on in a regular and straight forward manner whether from the point of accountancy or from the stand-point of the shareholders or the general public

(2) Huge sums have been spent as expenditure.- often without proper authority - when the company was not in a position to pay. The Chief Agent who seems to do no work other than appointing a district agent has received, for the short period the company is working - the following sums:-

Appointing charges Rs.4666-8-0
Allowance Rs.1857-9-1
besides certain advances and salary.

(3) The company funds have been mismanaged in the shape of advances, salary, allowances and loans (on personal accounts) instead of being invested on sound and profitable securities.

(4) It may be said here that out of 8 members on the Directorate, at present, five are the first directors, of these three constitutes the firm of managing agents namely Messrs. V. K. Lakshmana Mudaliar, Sundara Rao, and K.Ramanna.

(5) The Managing Agent Mr. V. K. Lakshmana Mudaliar has obtained the following sums, (in addition to a salaryof Rs. 2866-7-2) which he has not adjusted yet

(i) Rs.85/- advance of Seniorage commission.
(ii)Rs.2225/- on personal account.
(iii) Rs.1375 on loan account from the head office.
(iv) Rs.400/- from the Dairy.
(v) Rs.720/- advance of lease written off in the Profit.

(6) The Board of Directors supplemented the management of the company by appointing Mr. Shankarlal a managing -- Director in July last who was to receive a remuneration of Rs.150/- from the Managing Agent and Rs.50/- from the company. He has been subsequently removed in November and Mr. S. Ganga Raju has been appointed. As required in Section 91 (c) of the company's Regulation, the Exact nature and substance of these two contracts have not been notified to shareholders and the persons responsible are liable to a penalty under the said section.

(7) At the recent general meeting the shareholders appointed a Committee for investigation into affairs of the company. But this Committee has not so far worked. Since

one of its ~~committee members~~ constituent members Mr. C. K. Sastry is dead, a doubt has been raised whether the committee can now work at all.

(8) Since Mr. Ganga Raju's appointment, there is some attempt at evolving orderout of choos but I am not hopeful of the result.

(9) I have no nesitation in holding that the company has been grossly mismanaged in the past, that the Directors have not effectively controlled the managing agents, that the company have been exploited for the personal benefit of Mr. V. K.Lakshmana Mudaliar and R. K. Naidu who have drawn large ~~sums~~amounts from the company, that the company did not take the obvious step of terminating the contract ~~with~~ with the managing Agents as soon as the partnership of Messrs. V. K. Lakshmana Mudaliar and company ceased to -- exist

Sd/- A. V. Ramanathan

District Registrar and Ex-officio
Assistant Registrar of Joint
Companies, Mysore District.

"C O P Y"

Registrar of Joint Stock
Companies in Mysore.

Copy of letter No.1007 dated 16th March 1927 from the Managing Director, The Mysore Agricultural Dairy Farm Company, Limited to the Registrar of Joint Stock Companies in Mysore, Bangalore.

In continuation to this office No.772 dated 17-2-1927, I beg to submit herewith the explanations of the Managing Agents on audit objections referred to in your letter No.1078 dated 7-2-1927.

"C O P Y"

Registrar.

List of differences of Amount shown in the Books with that of vouchers, and other irregularities found in the course of audit of accounts of the Mysore Agricultural Dairy Farm Company, Ltd., Mysore for the year ending 31st December 1925.

	Receipt or Voucher No.	Amount as per voucher.	Amount as per books.	Remarks.	Explanation of the Managing Agents.
0-12-1924	Rt. No.1021 & 1022.	20 0 0	16 8 0		re canvassing commission @ 6 annas per
,,	Rt No.999 & 1000	16 8 0	16 12 0		shar on 10 shares Rs.3-12-0, M.O. commission 0-4- Rs.3-4-0 is the difference M.O. commn.
3-1-1925	V. No.746	38 0 0	40 0 0		T M. O charges Rs.2/-
5-2-1925	V. No.781	4 1 0	4 9 0		C t hire to get parcels of calenders 0-8-0
6-2-1925	V. No.784	6 4 0	5 4 0		T re is another voucher for Rs.5-4-0 returning Re.1-0-0.
0-2-1925	V. No.818	10 0 0	10 12 0		
7-3-1925	V. No.931	15 0 0	100 0 0	Rs.85 paid on 2-12-1924 in voucher No.550 is again charged off here.	Voucher itself will explain as 0-12-0, as debited in his account.
,,	Nil	48 0 0	----		There is one voucher No.931 for Rs.15. Th is another voucher for Rs.48 plus 2)
1-3-1925	V.No.994				Rs.50/- on the same date. There are two
5-5-1925	V.No.1062	60 0 0	60 0 0	There is voucher only for Rs.5	0-10-0 entries in the cash book dated
4-11-1925	V.No.1411	33 6 0	37 4 0	the balance of 6 annas is not supported by voucher.	21-3-1925 and 1-4-1925 for Rs. 25/- and Rs.10/- respectively.
2-11-1925	V.No.1434	72 0 0	40 0 0		Duplicate voucher has been called for as the
6-11-1925	V.No.1441	64 5 0	64 8 0		original one is missing.
4-11-1925	V.No.1462	33-11--5	23 0 0		There is voucher for Rs.120 out of which Rs. 80/- sent by T. M. O including T.M.O charges. Rs.40/- adjusted on application
-12-1925	v.No.1492	25 0 0	31 6 3		and allotment on 10 shares in the same date.
9-12-1925	V.No.1547	63 8 0	63 10 0		There is a voucher for Rs.58-10-0 only balance Rs.1-6-0 being T.M.O charges as
,,	V.No.1553	55 0 0	57 1 0	No voucher for commission 0-10-0 Telegram 0-12-0.	per T.M.O voucher filed in this office
-1-1925	P.R.No.1082 to 1090	29 8 0	27 13 0	The totals as per katcha receipt are 29-8-0 the difference is to be accounted for	Only Rs.23-5-0 paid in cash as per cash book the balance Rs.10-1-0 paid from the Dairy vide entry in Dairy Cash book Folio No.134.
-12-1924.	P.R.No.1015 to 1018, 1020.	16 0 0	15 0 4		Only Rs.40/- paid in cash as per Cash book Rs.Rs.32 paid by the sale of ghee by adjustment.
1-1925	Journal Folio 37			suspense account has been debited with Rs.16 instead of Rs.15-4-0 of the above entry.	0-3-0 m. o. commission on Rs.15 for sending the salary of the district agent and the balanc

16-11-1925	Rt.No.2787	200--0--0	132-8-0		adjustment made for his shares.
3-10-1925	C.R.Folio.204	---	67-8-0		Actual cash paid is only Rs.23 though there is a stamped voucher for 33-11-5. But the same person
23-11-1925	Rt.No.2797	15--0--0	15-0-0	In the receipt the name is gorthi-tornenada sastry in the cash book Soma Anandan.	was given another voucher for the actual amount received namely Rs.23/-
17-12-1925	Rt. No.2837	300-0-0	330-0-0	Names differ in the receipts and cash book.	Voucher for the balance of Rs.6-6-3 has been called for from the party through Office Managing Agent. Actual amount remitted by
		30-0-0			
	Rt.No.2838	23-2-0	23-2-0	Receipt is dated 18-12-1925 but the cash book shows 17-12-1925.	T.M.O is Rs.62/-, Balance 1-10-0 being 0-12-0 M.O. commission 0-14-0 Telegram charges.
3-12-1925	Rt No.2855	1-12-0	1-12-0	Receipt is given to V.Rangaswamy and ~~cahs~~ book shows Raghavendra.	Actual amount remitted by T.M.O is Rs.55 and the balance being Telegram and M.O. charges.
3-12-1925	,, 2857	1-14-0	1-6-0		Actual amount is received is only Rs.27-13-0 though there is a voucher for Rs.29-8-0.
	,, 2858	5-4-0	4-12-0		Explanations is called for from the Sub agent Mr. Gangappa.
	,, 2868	15-0-0	13-8-0		M. O. commission 0-4-0, share commission 0-8-0
	,, 2875	200-0-0	190-7-0		deducted by the sub agent. Amount actually
3-11-1925	M.O.Coupon 574 to 576	16-14-0		M.O.commission is charged as 0-12-0 but chargeable is only 0-10-0	received is only Rs.15-4-0 This is a mistake by oversight, this will be rectified.
					As Rs.132-8-0 paid on 16-11-1925 and Rs.67-0-0 on 31-10-1925 total comes to Rs.200/- for which a consolidated voucher is obtained.
					This is a clerical error.
					This is a clerical error.
					This is a clerical error.
					This is a clerical error.
					0-8-0 Live stock certificate fee.
					Vide Receipt No.2859.
					This is clerical error.
					Numbers clerical error, The difference to be debited to the District agents account as per correspondence.
					Refer correspondence.

"Copy"

Registrar

List of irregularities found in the Dairy accounts of the Mysore end of December 1925.

Date.	Receipt or voucher No.	Particulars.	As per Head office accounts.	As per Dairy accounts.
19-3-1925.	V.No.902	Amount paid by the Head office and received in the Dairy.	75--0--0	70--0--0
12-8-1925		Share amount V.P.Ram received in the Dairy and shown as paid to the Head office.		5--0--0
5-6-1925		Received from Vijaya Vithal as per Rough Cash book but not entered in the clean Cash book.		4-14-0
6-8-1925		Received as Rough cash book but not in the clean cash book		0-8-0.
		Received from Krishna Rao for Milk supply.		
12-10-1925.		Cash sales as per sales book is Rs.1-13-0 but entered in cash book Rs.1-10-0. Remittances for English Dairy are very irregular.		-
2-11-1925		Acknowledged by Mr. S. Sundara Rao for Rs.6-2-6.	6-2-6.	6-2-3
5-11-1925.	V.No.816.	The details of the Voucher work up to 0-9-9.		0-10-0
	828	No voucher forthcoming.		0-3-0
	886	The quantity in the voucher is 4 seers of Buffaloo's milk but cash book entry is 3½ seers.		
13-11-1925.		A. K. Chand has been paid Rs.6/- but not charges in the cash book.		
		-do-do-		

tural Dairy Farm Co., Ltd., Mysore in auditing the accounts to the

Explanations of the Managing Agents.

---

s received by Dairy in two payments viz., that Rs.70/- on 19-3-1925, 1925.
- on 24-3-1925 though a receipt for Rs. en to Head office on 19-3-~~1925~~

P. Ram's Rs.5/- on 12-8-1925. Out of his pay Rs.5/- was withheld by Dairy
rds his shares but credit is given to Heal office on the same day.

jaya Vithal Rs.4-14-3 on 5-6-1925.

on 6-8-1925.

ales on 12-10-1925 to be taken as Rs.1-10-0 and not 1-10-0.
3, 4 and 5 are to be taken into accounts. This is a clerical mistake by
oversight.

glish Dairy Assistant is not in service a the English Dairy is closed
ce his explanations for sending remittances irregularly could not be obtained.

ers cow's milk and 3½ pavus Buffalo milk was purchased at the rate of 4½
rs per rupee which works out to 0-10-0 as shown in cash book.
purchased for the use of the English Dair. It was not possible to get
cher from the woman who brought it.

a clerical mistake.
ount paid to A. K. Chand has been omitted by oversight and has been
ified afterwards.

"C O P Y"

for Registrar.

List of items of cash payments for which there are no accounts of the Mysore Agricultural Dai

Date.	Voucher No.	Amount	Remarks.
31-3-1925	V.No.944	200--0--0	
7-3-1925.	V.No.947 (a)	0--4--0	
30-3-1925	-do-	0-14-0	
23-3-1925	-do-	0-14-0	
31-3-1925.	-do-	1-00-0	
4-4-1925	V.No.963	60-0-0	[illegible]
,,	,, 964	60-0-0	[illegible]
20-4-1925.	,,1005	130-0-0	
22-4-1925	,, 1011	60-0-0	There is voucher for Rs.50/- the balance Rs.10/- is not supported by voucher.
27-5-1925	,, 1080	150-0-0	There is a voucher for Rs.109-2-0, Rs.40- not acknowledged.
23-6-25.	,, 1126	4-4-0	The figures in the vouchers seem to have been tampered with.
,,	,, 1127	4-10-0	
,,	,, 1129	4-8-0	
24-6-1925	.. 1132	4-12-0	The figure in the voucher seems to have been tampered with
8-6-1925	,, 1104	70-0-0	
9-6-1925	,, do	2030-0-0	
,,	,, do	100-0-0	
12-6-1925	,, do	50-0-0	
9-6-1925	Paid to R.K.Naidu.	30-0-0	
29-7-1925	V.No.1228	5-0-0	
	,, 1229	5-0-0	
14-8-1925	,, 1256	40-0-0	The voucher is not stamped.
15-8-1925	,, 1258	20-0-0	
31-8-1925	,, 1273	50-0-0	
18-9-1925	,, 1311	15-0-0	
2-10-1925	,, 1335(a)	0-12-0	
,,,	,, 1335(b)	2-0-0	
...	,, 1335(c)	0-6-0)	
....	,, 1335(d)	0-12-0)	
3-10-1925	,, 1337	65-0-0	There is voucher for Rs.50/- and there i voucher for Rs.15/-
6-10-1925	,, 1339	25-0-0	
,,	1339 (a)	4-10-0	
,,	,, 1340	0-4-0	
21-10-1925.	,, 1369	3-9-0	
	,, 1370	5-0-0	
21-10-1925	,, 1345	18-0-0	
12-10-1925	,, 1349	1-11-	
13-10-1925	.. 1352	7-0-0	
14-10-1925	nil	0-4-0	
17-10-1925	,, 1360	10-0-0	
,,	,, 1362	5-0-0	
,,	,, 1363	1-2-0	
19-10-1925.	nil	0-4-0	
,,	,, 1365	50-0-0	
22-10-1925	,, 1371	3-7-0	
23-10-1925	.. 1378	35-0-0	
,,	,, 1381	16-0-0	
24-10-1925	,, 1386	10-0-0	
26-10-1925	,, 1387	25-0-0	
,,	,, 1390	0-4-0	
28-10-1925	,, 1393	5-0-0	
,,	,, 1394	0-8-0	
27-10-1925.	,, 1406	20-14-7	
	,, 1409		No proper voucher.
	V. No.1415		
	,, 1416		
	,, 1421		

's and other irregularities found during the course of audit of
Company, Ltd., Mysore for the year ending 31st December 1925.

	Explanations of the Managing Agent.
Is a mistake, ought to be 120/- for which Rs.80/- sent by T.M.O, Rs.40/- application and allotment.	
Shortage of remittances debited to the postal accounts of the sub-agents of M. R. Harikar on 7-3-1925 as per M.O. voucher coupon.	
Shortage of remittance debited to the personal account of Mr. A. Shama Rao Vide M.O. coupon dated 10-3-1925.	
-do- of R.V.Sundhati of Chikkodi vide M.O. coupon dated 23-3-1925	
-do- of Abdul Sab Adam Sab Vide M.O. coupon dated 31-3-1925.	
There is a M.O. voucher.	
-do-	
D.O. Rs.10/- adjusted towards allotment amount vide correspondence.	
Received by adjustments for allotment account vide Cash book page 130 dated 22-4-1925.	
Rs.40-14-0, 0-14-0 M.O. commission deducted by the Agent and Rs.40/- adjustment of application allotment vide Cash book 156 dated 27-5-1925	
As these are postal receipts seem to have been corrected by the postal authorities alone.	
These are the amounts paid for the purchase of the company's land consolidated acknowledgment taken in the Registered Bond alone.	
Rs.30/- by advertisement charges vide correspondence.	
Vide M.O. coupons file.	
The party has been addressed to send a stamped voucher.	
Paid by Mysore Bank cheque.	
Vide M.O. coupon file.	
-do-	
Amount debited to personal account.	
charged to contingency.	
M. O. commission for the amounts deduced and sent by the Agents.	
Paid Rs.15 Anantha Rao's salary accoun as Dairy clerk, duplicate coucher has been called for.	
-do-	
Contingent charges hence no voucher.	
M.O. commission deducted by the Sub Agnt.	
Advance of salary pf M.S.Anaantha Rao, clerk. Voucher has been called for.	
-do-	
-do-	
-do-	
M. O. commission deducted by the agent vide M.O. coupon dated 19-10-1925	
Vide receipt in petty cash book.	
Duplicate voucher has been called for.	
Telegram charges.	
M.O. commission deducted by the Agent vide M.O. coupon dated 19-10-1925.	
Duplicate voucher has been called for.	
Vide Receipts and Petty Cash book.	
-do-	
Duplicate voucher has been called for	
Vide receipt in petty cah book.	
Duplicate voucher has been called for.	
M.O. commission deducted by the agent.	
Duplicate voucher has been called for.	
Advertisement charges.	
Duplicate voucher has been called for.	
Proper voucher has been called for.	
Paid for contingent and cooly hence no voucher.	
M.O. commission on M.O. Nos 480 and 431.	
Vide receipts in petty cash book.	
Duplicate voucher has been called for.	
Paid by adjustment entry to G.S.Kamath, Chief Inspector.	
M.O. commission debited by the Agent.	
Advertisement account Swadesamitran. Vide M.O. receipt.	

GOVERNMENT OF MYSORE.

IN REPLY PLEASE REFER TO
NO. C 12/27-28
ENCL.

Refer, ar

Office of the Registrar of Joint Stock Companies in Mysore.

Dated, Bangalore....14th July....1927.

1677 16-7-27

OM

S. P. Rajagopala Chari, Esq, B.A., B.L.,

Registrar of Joint Stock Companies in Mysore.

REV. SECRETARY 448

To

N. Rama Rao Esq, B.A., B.L.,

GEN. 16 JUL 1927 DEVELOPMENT BRANCH

Secretary to the Government of Mysore,

Development Departments,

BANGALORE.

Sir,

I have the honour to invite your reference to this office letter No. C 12/27-28 dated 4th April 1927 and to request that orders of Government regarding the appointment of inspector for investigating the affairs of the Mysore Agricultural Dairy Farm Company, Limited., may kindly be obtained at an early date and communicated to me.

I have the honour to l

Sir,

Your most obedient serva

Assistant Commissione

to the Registrar of Joint Stock Compan

SUBJECT.....

.....

.....

Diary No. ..... *replied to*.....

General and Revenue Secretariat

( )

the *192*

Date of issue 29.7.27

Signed by.....

List of enclosures.....

Copied by.....

Examined by.....

Section ...

File No. 15-26.

Seria No. 7

No. D 1135 & 27/7/27

To

.....

.....

Dear Sir,

With Reference to your letter No C 12/27-28 & 4-4-27 suggesting the appointment of an Inspector under Section 138 (IV) to investigate the affairs of the Mysore Agricultural Dairy Farm Co Ltd, Mysore, I am desired to request you to kindly intimate the name of a qualified man and the Remuneration ~~that has~~ will have to be paid to him.

Yours Sincere

for Secy to

The Registrar of J.S. Co

over

WD 0567—(PE)—31,000—17-8-25

Section J.S.

File No. 15-26

Serial No.

No. 01218

ary No. of letter replied to.....

General and Revenue Secretariat

( )

the - *192*

To The Registrar of
Joint Stock Compa

ate of issue 1/8/28

gned by M V Acharya

Sir,

I am directed to invit
reference to your letter no C1
& 23rd May 1928 and to enqui
~~You to be so good as to~~ and
if the detailed report on the affair
of the Mysore Agricultural Co
Farm Co Ltd. has been rece
ved from the Inspector.

List of enclosures.....

Copied by .....

Examined by .....

CBR
23/7

Routine Notes.

[To be used only for notes, requisitions, etc., not intended for permanent record.]

D.O. No. C 12 17-28

OFFICE OF THE REGISTRAR OF JOINT STOCK COMPANIES IN MYSORE

GEN. & REV. DEVELOPMENT BR.

Bangalore 19th August 1927.

Dear Mr.Rama Rao, J.S. 15-26-

With reference to your Office D.O.No 1135/J.S.15-26-7 dated 27th July 1927 requ ing me to intimate the name of a qualified person in connection with the appointment an Inspector for the Mysore Agricultural D Farm Co., Ltd., and the remuneration to be paid to him, I write to state that the Comptroller, who was requested by me to let know if he could spare one of the Assistant Comptrollers acquainted with the auditing o Commercial accounts replied that it was not possible for him to do so and recommended t name of Mr.T.Subbaramaiya, Retired Assistan Comptroller and certified auditor under the Companies

Proceedings of the Government of His Highness the Maharaja of Mysore

R e a d --

Petition dated 12th Dec. 1926 from M.K. Sampathkumarany, "Granthasala" Ramavilas Agraharam, Mysore, praying for reasons stated - that an investigation into the affairs of the Mysore Agricultural Dairy Farm Co., Ltd., might be held.

Correspondence ending with letter No C.12/27-28 dated 19th Aug. 1927 from the Registrar of Joint Stock Companies submitting a report in the matter and recommending that Mr.T. Subbaramaiya, Retired Assistant Comptroller and Certified Auditor, may be appointed under Section 138 (iv) of the Regulation No.VIII of 1917 as an Inspector of the Mysre Agricultural Dairy Farm Co., Ltd., Mysore, on a remuneration of Rs.200/- including travelling expenses.

--:O:--

O r d e r No. D. 23445

Dated, Bangalore 3/9/27

~~it has been brought to the notice of~~ complaints received Government that the affairs of the Mysore Agricultural Dairy Farm Co., Ltd., were not quite satisfactory. The Registrar of Joint Stock Companies ~~who was consulted in the~~ was asked to investigate the matter, (He has done so, and) submitted a report ~~of the several~~ disclosing grave irregularities in the working of the concern, ~~disclosing a very unsatisfactory state of affairs~~ and suggesting the desirability of having the accounts carefully audited by a competent Inspector, the cost of investigation being met by the Company under the -

provisions of Section 141 (3) of the Companies' Regulation. Govt are satisfied that the condition of the Company's affairs & accounts requires ~~Government are pleased to appoint~~ under ~~under~~ Sec.138(~~iv~~) of the Companies Regulation, and are accordingly pleased Mr.T. Subbaramaiya, Retired Assistant Comptroller and Certified Auditor as an Inspector to investigate ~~into~~ the affairs of the Mysore Agricultural Dairy Farm Co., Ltd., on a remuneration of Rs.200/- inclusive of ~~inc~~ travelling and other expenses as proposed by the Registrar of Joint Stock Companies.

Government further direct under Section 141(3) that the cost of investigation including the remuneration ~~to~~ to be paid to the Inspector be arranged to be recovered from the Company.

The Registrar is requested to submit a report to Government on the conclusion of the investigation.

Secretary to Government,
Development Departments.

To

The Registrar of Joint Stock Companies in Mysore
The Comptroller to Government.

BRS

CONFIDENTIAL.

GOVERNMENT OF MYSORE.

IN REPLY PLEASE REFER TO
NO. C 12/27-28
ENCL. -

Office of the Registrar of Joint Stock Companies in Mysore.

Dated, Bangalore...19th September 1927.

FROM S.P.Rajagopalachari, Esq.,B.A.,B.L.,
Registrar of Joint Stock Companies in Mysore,
Bangalore.

To

N.Rama Rao, Esq.,B.A.,B.L.,
Secretary to Government of His Highness
the Maharaja of Mysore, Development Departments,
Bangalore.

J. S. 15-26-10

Sir,

With reference to Government Order No.2344-5/J.S.15-26-9 dated 3rd September 1927 appointing Mr.T.Subbaramaiya, Retired Assistant Comptroller and Certified Auditor as Inspector to investigate the affairs of the Mysore Agricultural Dairy Farm Company, Ltd., I have the honour to request that the balance sheets and the auditor's report forwarded with this Office letter No.C.12/27-28 dated 4th April 1927 may kindly be returned to this Office as they are required to be given to the Inspector.

2. I may state for the information of Gov[illegible] at the Managing Director of the said Company who was asked to deposit a sum of Rs.250/- (being the cost of investigation of the affairs of the Company including the remuneration of the Inspector estimated by me with the Deputy Commissioner and Ex-officio Assistant Registrar of Joint Stock Companies, Mysore District, has replied that he has

ent a cheque for the amount to the said Officer.

e honour to be,
Sir,
Your most obedient servant

Assistant Commissioner
Registrar of Joint Stock Companies in Mysore.
(Absent from Station.)

Form F. VI. Gl.]

14

SUBJECT.....

.....

.....

Section Jg.

File No. 15-26

Serial No. //

Diary No. of letter replied to .....

No. D 3112

General and Revenue Secretariat

( )

the *192*

To

The Registrar of Jt. Col.

Date of issue 22.9.27

Sir.

As desired in your letter No c 12/27-28 & 19 9/27 I am directed to return herewith the balance Sheets & the auditor's Report Relating to the Mysore Agricultural Dairy Farm Co. Ltd forwarded with your letter No c 12/27-28 & 4 4/27.

I have &c

Signed by ..... Rev.

List of enclosures .....

Copied by 21/9/27

Examined by .....

21.9.27 for Dep Secty

over

WD 0562 -GPB—31,000—17-8-25

ıe Mysore Agricultural Dairy Farm Company Ltd.,

COMPRISING

The Live Stock Compensation Bureau.

REPLYING DON'T ADDRESS IE PERSONAL NAME AND PLEASE QUOTE
No. 5660.

Basavangudi, Bangalore city.
MYSORE, 15-3-28.

The Chief Secretary to the

Government of His Highness the

Maharaja of Mysore, Bangalore.

Dear Sir,

In inviting your kind attention to this office letter No. 3244 dated 14-11-1927, Submitted through the Registrar of Joint Stock Companies in Mysore, Bangalore, enclosing copy of Resolution of the share holders passed in their Second Annual - General meeting held on 10-10-27 with its enclosures, I request that you will be so good as to intimate the action taken by the Government in the matter, as the information has to be placed before the share holders in their next General Meeting to be held after the end of March 1928.

Yours faithfully,

For The Mysore Agricultural Dairy Farm Co. Ltd.

15/3/28

Section J.S.
File No. 15-26
Serial No. 15

No. D 10852 (Cont'd)

of letter replied to.....

General and Revenue Secretariat

( )

Date *192*

Date of issue..... 12/4/28

Signed by..... Mr. V.V.

To The Registrar of Joint Stock Companies

Sir,

I am directed to forward herewith for favour of disposal a Copy of letter No. 5760 D/15-3-1928 from the Managing Director of the Mysore Agricultural Dairy Farm Company Ltd, requesting to be informed of the action taken with regard to the Resolution of the Share holders passed in their Second Annual General Meeting held on

)-10-1927,

In this Connection, I am to invite reference to D.O. No. D 2346-5/J.S. 15-26-9 dt 3-9-27 Calling for a report as to the result of the investigation instituted regarding the affairs of the Mysore Agricultural Dairy Farm Company Ltd, And to enquire ~~as to~~ when the said report may be expected in this office.

I have etc

MP 3/4

for Secy to Govt.

Dev Dept

CBR 2/4/28.

GOVERNMENT OF MYSORE.

68

IN REPLY PLEASE REFER TO
NO. C 2607/27-28
ENCL.

Office of the Registrar of Joint Stock Companies
in Mysore.

Dated, Bangalore 25.12. April 1928.

FROM S. P. Rajagopalachari, Esq., B.A., B.L.,
~~V. RAJAGOPALACHARI, ESQ.~~
Registrar of Joint Stock Companies in Mysore.

To

D 9068

N. Rama Rao, Esq., B.A., B.L.,
Secretary to the Government of Mysore,
Development Departments, Bangalore.

S i r ,

With reference to paragraph 2 of your letter No.D10892/J.S 15-26-15 dated 12th April 1928 enquiring when the report on the investigation of the affairs of the Mysore Agricultural Dairy Farm Co., Ltd., may be expected in your office, I have the honour to state that the report has not yet been received in this office from Mr. T. Subbaramia the Inspector. Five Reminders have been sent to him. As soon as the report is received from him it will be submitted to Government.

(2) A copy of the Managing Director's letter mentioned in your letter referred to above together with copies of its enclosures has been sent to Mr. Subbaramiah and further action thereon will be taken after the receipt of his report. The Managing Director has been informed that the resolution is under consideration.

I have the honour to be,

S i r ,

Your most obedient servant,

25/4

Assistant Commissioner,
for Registrar absent from head-quarters.

J.S. 15-26-17.

GEN. & REV. SECRETARIAT
25 MAY 1928
DEVELOPMENT BRANCH.

GOVERNMENT OF MYSORE.

IN REPLY PLEASE REFER TO
NO. C.12/27-28.
ENCL. TWO.

Office of the Registrar of Joint Stock Companies
in Mysore.

Dated, Bangalore.....23rd May....192 8

FROM

S. P. RAJAGOPALACHARI, Esqr., B.A., B.L.,
~~V.V.R.V.THIYAGARAJA IYER, Esq., M.A.~~
Registrar of Joint Stock Companies in Mysore.

D 9893

To

N. RAMA RAO, Esqr., B.A., B.L.,
Secretary to the Government of
His Highness the Maharaja of Mysore,
Development Departments, BANGALORE.

Sir,

With reference to Government Order No.2344-5/J.S.15-26-9 dated 3rd September 1927 appointing Mr. T. Subbaramiah as Inspector to investigate the affairs of the Mysore Agricultural Dairy Farm Co., Ltd., and requesting that a report may be submitted to Government on the conclusion of the investigation and in continuation of this office letter No.C.12/27-28 dated 25th April 1928, I have the honour to submit herewith, for the information of Government, a copy of letter dated 7th May 1928 together with a copy of its enclosure received from Mr. Subbaramiah and to state that after the receipt of the detailed report, it will be submitted to Government with my proposals if any.

I have the honour to be,

Sir,

Your most obedient servant,

V. Subbaramiah
23/5

Assistant to the Registrar
of Joint Stock Companies
absent from station.

Submitted for information
Question is respectfully
invited to para 50 of
enclosure, which summarises
the results of investigation.

25-5-28

3rd Member
MDM.

Seen.

25/5

OFFICE OF THE
THIRD MEMBER OF COUNCIL.
25 MAY 1928
No. 11460

GEN. & REV. SECRETARIAT
26 MAY 1928
DEVELOPMENT BRANCH.

Letter dated 7th May 1928 from Mr. T. Subbaramiah, Retired Assistant Comptroller & Certified Auditor, Basavangudi, Bangalore, to the Registrar of Joint Stock Companies in Mysore.

Adverting to your Official Memorandum No.C.12/27-28 dated 8th September last, appointing me as Inspector under Section 138 of the Mysore Companies Regulation, to investigate the affairs of the Mysore Agricultural Dairy Farm Co., Ltd., Mysore, I beg to submit herewith a brief abstract of the important points noticed in the detailed report which is also ready, but being a lengthy one, takes some time for fair copying and typing, as a number of enclosures have to be attached. Moreover, I wish to go to Mysore again to obtain some information from Messrs.Sundara Rao and Eswariah, in connection with certain information obtained from the ex records in the office, which has since been shifted to Bangalore and also to verify with the Dairy Pucca Cash Book and the Minutes book of the Board's meetings, which have been filed in the Magistrate's Court at Mysore. These books had no doubt been placed at my disposal before they were filed in the Court, but the facts that I want to verify have been collected since.

Every endeavour will, however, be made to submit the detailed report within a fortnight at the latest. I regret the delay which was unavoidable, owing to the several complications noticed in the course of investigation and the very unsatisfactory way in which the accounts and registers had been maintained.

" C O P Y "

For Registrar.

BRIEF ABSTRACT OF THE REPORT OF INSPECTION OF THE MYSORE AGRICULTURAL DAIRY FARM CO., LTD., MYSORE.

Company incorporated..... 9th May 1924.
Prospectus filed..... 12th May 1924.
Date of filing of Declaration..... 14th July 1924.
Date of certificate for above..... 6th August 1924

It is a limited Company with a share capital of one lakh, divided into ten thousand shares of Rupees ten each.

FIRST DIRECTORS.

1. Mr. B. Narasimha Iyengar, B.A., B.L., Advocate, Mysore.
2. Dr. A. J. Ram, L.M.S.,
3. Mr. C. Krishna Sastry, Retired Sub-Registrar & First Grade Pleader, Mysore.
4. Mr. K. Ramanna, Mechanical Engineer, Mysore.
5. Mr. N. Krishna Swamy Rao, Zamindar, Mysore.
6. Mr. V. K. Lakshmana Mudaliar, Proprietor, Keragahalli Indigo Estate.
7. Mr. S. Sundara Rao, B.A., L.L.B., Advocate, Mysore.

MANAGING AGENTS.

Messrs. V. K. Lakshmana Mudaliar & Co., composed of Messrs. V. K. Lakshmana Mudaliar. S. Sundara Rao, B.A., L.L.B., and K. Ramanna.

MEMORANDUM OF ASSOCIATION.

2. Though the objects for which the Company was established are very many, as enumerated in clause III of the Memorandum, the main object was more for personal benefit at the expense of the Share-holders as may be seen from sub-clauses (h) and (i), viz.,

(h) To acquire and purchase the existing stock in trade of the Keragahalli Indigo Estate, owned by Mr. V.K.Lakshmana Mudaliar, the Chief Managing Agent.

(i) To take on lease the above Keragahalli Indigo Estate under certain conditions.

3. As regards purchasing the Stock-in-trade, the Directors were unanimously against the proposal and hence it was given up.

4. As for the 2nd, viz., the lease of the Keragahalli Estate, an agreement was entered into between the Company and Mr.Mudaliar, whereby the Company undertook to pay to Mr. Mudaliar an annual

rental

rental of Rs.1,000/- and not exceeding 10% of the profits, together with an advance of Rs.1,500/- in the first year, and also some other terms most favourable to Mr. Mudaliar. The chief points deserving of mention in this connection are:-

(a) The Estate was not the absolute property of Mr. Mudaliar as it was granted to him by Government for an upset price of Rs.500/- on 18-6-1919 under certain conditio for a period of ten years. The conditions not having been fulfilled, the Government have, in their Order No.R.7049/L. 120-26-5 dated 27th April 1927, directed the resumption of the Estate.

(b) As at first arranged at the Board meeting, the lease was for ten years. But when the lease deed was take to the Sub-Registrar's Office for registration, there was interlineations and unauthorised corrections changing ten years into twenty.

(c) That the Estate had already been mortgaged to Mr. B. Narasimha Iyengar, a Co-Director and Legal Advisor o the Company for Rs.13,500/- for a term of six years from 19

(d) That about fifty acres of the Estate had alrea been leased out to several ryots for varam cultivation, for long periods ranging from five to ten years.

(e) Though under Section 91(a) of the Mysore Companies Regulation, full disclosure of all the above facts should have been made, neither Mr. Mudaliar nor Mr. Narasimha Iyengar disclosed them until Mr. Sundara Rao and Mr. Krishna Moorthy Sastry who inspected the leased Estate, strongly condemned the idea of the lease; and consequently this was also given up. Thereupon Mr. Mudaliar proposed an amendment, whereby he was to be granted a loan of Rs.5,000/- (Rupees Five thousand) for the improvement of his Estate, repayable in 12½ years with interest at 12% per annum, on the security of the Seigniorage Commission earned by Mr. Mudaliar under clause 5 of his agreement. Under this clause Mr. Mudaliar was to get a commission of one and half annas per annum (subsequently reduced to half an anna) for every livestock certificate in force on the roll of the Live-Stock Compensation Bureau, which meant that the interest of Rs.7,500/- at Rs.600/- I annum was to be discharged in 12½ years provided not less than 19,200 animals are kept on the roll for that period; considering the fact that out of about 3,000 animals registered during the last four years only 74 have been on the rolls at present it is a matter for consideration whether this loan can ever be discharged at all.

5. One peculiar feature noticeable in connection with this lease affair is that everything was done in a reverse order, i.e the agreement is first executed on the 27th July 1924 and registered on 20th September 1924; then the Estate is inspected by Messrs. Sundara Rao and Krishna Moorthy Sastry in company with Mr. V. K. L. Mudaliar on the 25th October 1924, and also by Mr. K Ramanna on the 16th November 1924. The report of these Directo

not being favourable, the question was considered by the Board at their meeting held on 6th December 1924, when an amendment was proposed by Mr. Mudaliar and the matter remained unsettled. Meanwhile the subject came up for discussion at the Statutory ..... of the Share-holders held on 12th January 1925, where it was rejected by a majority of the Share-holders. (Vide Mr. Sundara Rao's note dated 7-2-1925).

6. In this connection it has to be stated that the Board of Directors at their meeting held on the 10th July 1924 passed the Draft Lease and also resolved that Messrs. S. Sundara Rao and C. K. Sastry should inspect the Estate and report. If the inspection had been conducted in time and the report placed before the Board before the lease deed was finally fair copied and presented for registration, all the worries and subsequent complications involving in loss both to the Company and the party could have been avoided.

7. The amended proposal of Mr. Mudaliar, asking for a loan of Rs.5,000/- on the security of the Seigniorage Commission was then brought up at the meeting of the Organising Committee held on 10-2-1925, when it was resolved that the original lease be considered as cancelled by mutual consent, sanctioning in its stead the loan of Rs.5,000/- asked for on the security of the Seigniorage Commission. Meanwhile, Mr. Mudaliar had drawn Rs.720/- out of the advance of Rs.1,500/- stipulated in the lease: and in consideration of the cancellation of the lease, it was further resolved at the same meeting that the lease advance of Rs.720/- above referred to, be written off the -- accounts.

8. The irregularities connected with this loan affair are:-

(1) Under the rules of the constitution, loans above Rs.100/- and up to Rs.500/- required the sanction of the Finance Committee and above that sum by the Board and that in special cases only, (Vide Rule 2(b) of the English Prospectus). The Organising Committee had no financial powers of any kind, and even the Finance Committee had not powers to sanction a loan exceeding Rs.500/-; consequently the sanction of the loan as well as the writing off of the lease advance of Rs.720/- was irregular.

(2) Evidently the Board of Directors seem to have realised the irregularity, and at their meeting held on 28-2-1925 resolved that Mr. Mudaliar be advanced an additional loan of -- Rs.500/- (Rupees Five hundred only) on the bond dated 27-2-1925 executed by him in favour of the Company; the first loan of Rs.500/- having been already sanctioned by the Finance Committee at their meeting held on 5-2-1925, thereby ratifying the action of the Organising Committee so far as the loan of Rs.1,000/- sanctioned to Mr. Mudaliar was concerned.

9. PURCHASE OF MRS. KENCHIAH'S LANDS.

Another transaction of the Managing Agents and the late Directors, which is also of a highly suspicious character, is the purchase of Mrs. Kenchiah's land measuring about 34 acres of jungle in the Bilikere Hobli, Hunsur Taluk. Through sheer misrepresentation and fraud, Mr. Kenchiah somehow or other -- managed to sell these lands to the Company for Rs.5,000/- (Rupees Five Thousand only) though he purchased the same from Government for Rs.323-7-0 (Rupees Three hundred and twenty three and annas seven only) the conditions of sale being that Rs.3,000/- should be paid in cash within three years at the rate of Rs.1,000/- per annum, and for the balance of Rs.2,000/- Mr. Kenchiah should be allotted two hundred fully paid up shares in the Company. Accordingly, Rs.300/- was paid in cash on the date of registration, viz., 9-6-1925 and a pronote executed in favour of Mrs. Kenchiah for Rs.700/- payable three months after date, besides allotting two hundred fully paid up shares. The misrepresentation and fraud having been subsequently discovered, the parties, viz., Mr. and Mrs. Kenchiah and the Managing Agents came to a mutual settlement whereby the sale consideration was reduced to Rs.2,000/- payable in cash and Rs.800/- to be adjusted towards application and allotment on 200 shares, the original 200 fully paid up shares being withdrawn or surrendered. Against the cash payment of Rs.2,000/-, Rs.300/- had already been paid on 9-6-1925 and Rs.350/- was also paid in cash on the date of the mutual settlement. Deducting these two cash payments and also the Pronote for Rs.700/- which was already overdue, there remained a balance of Rs.650/- only payable to the party. But instead of executing a Pronote for

Rs.650/- only, one was executed for Rs.1,350/- on the understanding that on receipt of the amount due, viz., Rs.1,350/- the Pronote for Rs.700/- dated 9-6-1925 would be returned to the Company with endorsement that it stood cancelled by mutual consent. Why this round about course was adopted instead of executing the new Pronote for Rs.650/- only, is not known. The first Pronote was eventually endorsed in favour of Sowcar Banumiah who sued the Company and recovered the amount with interest and Court costs amounting in all to Rs.847/-. A part payment of Rs.300/- was made to the party on 5-12-1925, towards the 2nd Pronote, and Mr. Kenchiah is now pressing for the balance, not for Rs.350/- properly due to him but for Rs.1,050/- ignoring the first Pronote for Rs.700/- altogether, with interest at 3% per mensem.

10. To avoid unnecessary complications and litigation, the present Managing Director came to a mutual understanding with Mr. Kenchiah, offering to pay Rs.350/- towards principal and a lump-sum of Rs.100/- towards interest or Rs.450/- in all, on condition that Mr. Kenchiah surrendered his fully paid up shares, to which the latter also agreed. Sanction of the General Body was also obtained to this settlement and when the Managing Director offered to pay the amount, Mr. Kenchiah has since changed his mind and is now demanding Rs.1,050/- with interest as stated above.

11. But for the existence of fraud in the transaction, it is very doubtful if Mr. Kenchiah would ever have consented to the reduction in the sale consideration from Rs.5,000/- to Rs.2,800/-.

ACCOUNTS:

12. The business of the Company was being conducted in two Departments, viz., Head Office and Dairy. The former was under Mr. Sundara Rao, Office Managing Agent and the latter under -- Mr. K. Ramanna, Dairy Manager. In neither of these departments was the cash book being maintained with that care and attention that it deserved.

13. The Head Office Cash Book commences from 16th May 1924; and instead of commencing from receipt No.1 the first entry on the receipt side is numbered 47, while receipts 1, 2 and 3 appear in the Cash Book on the 19th, 22nd and 23rd May 1924 respectively. The first seven entries of Rs.200/- each represent the application and allotment amounts of the first seven Directors on 50 shares taken by each. Some of these receipts are dated 24th June and others 10th July 1924, the latter date being the date of the first allotment. These credits appear more or less fictitious, as may be seen from the fact, that though as per cash book, the cash balance -- exceeded Rs.1,500/- in each case, cheques have been drawn for such small amounts as Rs.25/- and Rs.8/- for office expenses. In one case a cheque was drawn on the City Co-operative Bank, Mysore, for Rs.236/- when the balance in the Bank was only Rs.230/-, Rs.6/- being an over-drawal. The book balance on the day was Rs.2,122/- and odd. From this it is clear that either the credit entries were fictitious, or the amounts collected had been appropriated otherwise and no money was left even to meet petty office expenses.

14. Another noticeable peculiarity here is that though the book balance on 1st August 1924 was Rs.2,046/- and odd, the Managing Agents were able to remit only Rs.10/- to the City Co-operative Bank to adjust the over-draft.

15. There are four rough Cash Books and one fair in the Head Office. The rough Cash Books are totalled and balanced daily and attested by the office Managing Agent. The fair cash book supposed to be a copy of the rough, has been written at a stretch and does not contain even page totals, totalled and balanced only at the end of the month, without any regard to the actual cash on hand. Though in the rough cash book, there are at times, certificates of the Chairman for having checked the cash on hand and verified it with the book balance, there here is nothing of the sort in the fair cash book. There

are innumerable differences between the rough and the fair cash books, omissions and additions etc., so much so, that in copying the figures from the rough to the fair cash book, Rs.15-6-0 and Rs.13-8-0 have been copied instead of Re.0-15-6 (annas fifteen and pies six) and Re.0-13-8 (annas thirteen and pies eight) respectively and totalled and balanced accordingly at the end of the month, without any regard to the increase in the cash balance at all. As these mistakes were not traced at the time of closing the accounts for the Balance Sheet, the difference was debited to the personal account of the office Managing Agent, as short cash.

16. Even in the rough cash books, totalled and balanced daily, there are mistakes in totalling and balancing, and yet, there are certificates of the Chairman stating that the cash on hand was examined and found correct, while as a matter of fact, the correct book balance was different. The balance on 12th March 1926, as shown in the rough cash book, was Rs.16/- and there is the certificate of Dr. A. J. Ram, the Chairman that the cash on hand was examined and found correct. But for the mistakes in totalling and balancing on the5th, 9th and 11th March 1926, the correct book balance ought to have been Rs.13-9-0 only or Rs.2-7-0 less and yet the balance of Rs.16/- is certified as correct. It is on the basis of this incorrect balance, that Re.0-4-5 (annas four and pies five) was arrived at on the 16th April 1926, on which date Mr. Sundara Rao handed over charge to Mr. V. K. L. Mudaliar, the handing over and taking charge of Re.0-4-5 being recorded in the rough cash book and signed by both. But if the correct balance of Rs.13-9-0 had been adopted the balance on the 26th April must have been a <u>minus balance</u> of Rs.2-2-7. Evidently sufficient importance was not paid to the correct maintenance of the cash book or the verification of cash on hand with the book balance.

17. From the correspondence between Mr. Sundara Rao, the Office Managing Agent and Mr. V. K. L. Mudaliar, it is seen that

even at the very commencement, i.e., before the Statutory period, there was a huge deficit in cash balance in the Head Office, and to make up for it fictitious debits were raised on the 20th December 1924, reducing the cash balance from Rs.1,645-6-11 to Rs.212-11-6, each party blaming the other for the deficiency.

18. DAIRY: As in the case of the Head Office, there are three rough cash books and one fair, with lots of differences between both. In the rough cash books, all sorts of unauthorised and objectionable items of expenditure, such as utilisation of Company's funds for private purposes, are included while in the fair, they are omitted and consequently included in the cash balance, though cash was not there, (e.g. between the 31st August and 23rd September 1925, debits -- aggregating Rs.160-13-0 appear in the rough cash book as amounts paid to Mr. V. K. L. Mudaliar, but these have been omitted in the fair.

19. Here also, the fair cash book has been copied at a stretch, and is full of scorings and erasures, some of them leading to misappropriation and falsification of accounts. When first checked by Mr. Easwariah, the Company's Auditor, this cash book, it is stated did not contain a credit of Rs.68-9-3 as received from Mr. R. K. Naidu on the 25th September 1925. Sometime later, one whole line in the cash book is completely erased and Rs.68-9-3 introduced in its place as received from Mr. R. K. Naidu and the entry is initialled by Mr. A. J. Ram. Even in the adjustment memo dated 27th March 1927, given by Mr. Mudaliar, reference is made to a book adjustment ~~xxxxxx~~ of this item to be effected on the strength of the letter of authority given by Mr. Naidu. If, as a matter of fact, money had been received in cash on 25-9-1925, the necessity for this adjustment is not understood. Anyhow the transaction is not free from suspicion.

20. No stock account was maintained for the Dairy products.

21. Three

21. Three important anamolies noticed at the meeting of the Board of Directors are.-

(1) Cash Deficit of Rs.641/- and odd.

(2) Balance of 1136 seers of milk on the date of closing the Dairy remaining unaccounted for.

(3) Difference between Katch and Pucca cash books.

22. THE AUDIT REPORTS: The audit report of Mr. A. Narasimha Moorthy, discloses shortages of cash and property of over four thousand rupees in the two branches. Besides the above, the present investigation has brought to light that sums aggregating Rs.152-11-0 collected by the Managing Agents and officers of the Company at Head Quarters and for which Katcha receipts have been passed by them, have not been brought to the cash book at all, the persons responsible being,

(1)	Mr. V. K. L. Mudaliar.	... Rs.67- 0-0.
(2)	Mr. K. Ramanna.	... " 80- 4-0.
(3)	Mr. Arunachelliah, Dairy Asst.	" 5- 7-0.
		Rs.152-11-0.

23. In addition to this, Rs.132-6-0 and Rs.33/-, being the amounts due by the Government House, Mysore, and the Palace Stables, respectively, for dairy products supplied to them have been acknowledged by Mr. Arunachellian, Dairy Assistant, but not brought to the cash book at all.

BALANCE SHEETS:

24. As regards the accuracy of the Balance Sheets, it has to be stated that several of the figures shown therein are not correct. A few instances are quoted here.

25. The first item under assets, viz., Rs.2,504-2-0 shown against "Landed Property" in the Balance Sheet for 31st Decembe 1925 is entirely wrong. The amount acknowledged by Mr. and Mr Kenchiah and for which stamped receipts have been obtained is Rs.650/- in cash, as shown in the *margin, and Rs.2,000/- by

9th June 1925.	... Rs. 300/-	credit to shares
28th October 1925.	... " 350/-	
	Rs. 650/-	
Adjustment to shares	2000/-	200 fully paid u
2-6-25. TOTAL.	Rs.2650/-	

shares, or Rs.2,650/- in all. But the cash book and ledger show a debit of Rs.2,504-2-0 only. The source from which the balance of Rs.145-14-0 was paid is not understood. In addition to these, two Pronotes were executed in favour of Mrs. Kenchiah for Rs.2,050/- and these should have been treated in the accounts as amount paid on land account and loan received from Mrs. Kenchiah. But this Rs.2,050/- has been left out of account altogether. So including the adjustment of share amount the total debit to "Land Account" will be Rs.4,700/- against Rs.2,800/- agreed upon as per mutual settlement on 28th October 1926, the excess of -- Rs.1,900/- being adjusted as under:

Rs.1,200/- by debit to shares and
Rs. 700/- to Mrs. Kenchiah's account towards the Pronote.

(2) CASH AT BANKS -- Rs.651-11-3.

26. The above includes an item of Rs.381-15-3 as balance ~~.Off-a~~ with ~~the~~ Mysore City Co-operative Society on 31st December 1925; but the actual balance as per Pass Book was Rs.1-15-3 only, Rs.380/- drawn already on Company's account having been left out of account altogether. It is evidently because the Managing Agents could not readily trace out the above difference, that the Pass Book was not given to the Auditor for check.

27. Another item of Rs.10/- is also included in the above balance as balance with the Hole-Narasipur Co-operativ Society but this amount also had already been withdrawn and paid to one B. Kesava Moorthy, as per order of Mr. V.K.L. Mudaliar dated 11-10-1925 leaving a balance of pies eight only, being probably the interest allowed by the Society. But neither the payment of Rs.10/- nor the credit of Re.0-0-8 appears in the cash book, and the balance of Rs.10/- continues in the ledger even to-day.

(3) CASH ON HAND -- Rs.30-0-1. (Head Office).

28. This

28. This is also a disputed item and is made up of two items, viz., Rs.15-2-4 in the fair cash book on 31st December 1925 and Rs.14-13-9 in the petty cash book. The rough cash book attested by Mr. V. K. L. Mudaliar shows a nil balance, while the fair shows Rs.15-2-4 which is evidently a fictitious figure and this only has been adopted for the Balance Sheet, though there was actually no cash on hand.

(4) CASH ON HAND AT DAIRY -- Rs.648-9-8.

29. From the controversy that took place between the office Managing Agent and Mr. Ramanna and the remarks of Mr. Easwariah, Auditor, in the Dairy Cash book at the end of October 1925, it will be seen that not a pie actually remained on hand and all the Directors also were fully aware of it: and yet the Dairy Managing Agent, and the Directors have all certified to the correctness of the Balance Sheet. It is a case for serious consideration whether this act of the Directors does not fall under section 282 of the Company's Regulation, viz., wilfully signing a false Balance Sheet knowing it to be false.

30. Mr. Ramanna the Dairy Manager, who was primarily responsible for the cash balance was prosecuted for criminal breach of trust under Section 409 I.P.C. in the City Magistrate's Court, Mysore, but the case has been dismissed on some technical grounds. A revision petition has however been filed in the Court of the District Magistrate, Mysore, and the case is pending.

31. Coming to the side of liabilities, the first figure of Rs.18,964/- shown under Share Capital is not also correct. In the course of investigation it is brought to notice that in 123 cases, though amounts have been received and Pucca Receipts issued share certificates do not seem to have been issued at all, nor have their names been brought to the Share Ledger: while in another 57 cases, though share certificates are shown as issued, credit of share amounts is not traceable in the cash book.

(2) Appointing charges to be wiped off against profits of Agents' guranteed business, etc., -- Rs.4,666-8-0.

32. This amount represents the remuneration paid to the Chief agents at 50% of the deposit amount made by the agents as security, as per their agreement. Though it fixes the amount of remuneration payable, it does not mean that it should be paid out of security deposits. The wording in the Balance Sheet pre-supposes that the whole amount under Security Deposits is to be distributed in halves between the Company and the Chief Agents as forfeiture and appointing charges respectively; until the agreements with the District and Sub-agents are cancelled and security amounts forfeited under a Resolution of the Board and necessary adjustment made the Security Deposit amount should be shown in full in the Ba Sheet as a liability and after the forfeiture, the amount for feited should be credited in full to the Profit and Loss acco as profits and the appointing charges as losses. There may instances in which the Security Deposit will have to be refun in full either when the agent fulfils the conditions of his agreement or for other reasons, and yet notonly will the Chie Agents be entitled to the appointment charges, but the whole amount of Security deposit will have to be refunded in full. In the case of one K. P. Ramanatha Iyer o_ Coimbatore, the security deposit of Rs.200/- was paid by him on 23-9-1925 for a District Agent's place before the agreement was entered int but when the agreement copy was sent to him for signature, se the forfeiture clause therein, he declined the appointment an asked for the refund of his deposit. So even when the regular appointment was not made and the service order not issued, Rs.100/- was claimed by the chief agents and paid. After prolonged correspondence, this security deposit has not been converted into 20 fully paid up shares as agreed to by the party also. So in this case against a credit of Rs.200/- there is a payment of Rs.100/- to the chief agent and Rs.200/- transferred to shares. The payment of Rs.100/- to the chief

agent/

agent is irregular and will have to be recovered from him as no appointment was made at all.

33. So if the sum of Rs.4,666-8-0 is taken to the Profit & Loss account, instead of deduction under liability, the net loss to the Company till the 31st December 1925 would be Rs.10,291-3- plus Rs.4,666-8-0 or Rs. 14,957-11-6 in all. Necessary adjustments have been made in the Balance Sheet for 31st March 1927.

34. Similarly in the Balance Sheet for 31st March 1927, the amounts shown under the following heads are also not correct.

Land.	Rs.	2,804- 2-0.
Preliminary expenses. ...	"	664-10-4.
Debtors.		
V. K. L. Mudaliar (Personal account).	"	3,536- 5-10.
Sundry Debtors. ...	"	612- 5- 4.
Dairy Debtors. ...	"	447- 9- 4.

35. The expenditure under preliminary expenses is shown as Rs.666-10-4, while the actual amount passed by the Board is Rs.803-8-0 more, or Rs.1,470-2-0 and Mr. Mudaliar's personal account is Rs.3,002-13-10.

36. Similarly under liabilities, the figures shown against share Capital, Agents and Workers, etc., are also wrong. For example, Rs.330-5-0 shown against agents and workers includes an item of Rs.20/- shown as due to Mr. M. K. Sampathkumaran; while as a matter of fact nothing is due to him; the last balan of Rs.10/- due to him on his personal account was paid on 15-2-26.

37. The following personal files were also examined and the result of the examination is described in full in the detailed report. But one predominant feature ~~is~~ in each is the existenc of some kind of fraud or misappropriation of Company's funds.

1. Directors' files.
2. Mr. Betgiri, District Agent, Dharwar.
3. H. L. Narasimha Moorthy, Nanjangud.
4. Mr. Kulkarni, District Agent, Belgaum.
5. " Deshaponde, District Agent.
6. Anonymous petition received in the office with Registrar's letter No.1659 dated 4th March '2(
7. Mr. M. K. Sampathkumaran.
8. " S. A. Swaminatha Iyer, Nellore.

38. In the course of examination of the files of mofussil workers, the following serious irregularities which must also amount to misappropriation of Company's funds have been noticed and yet no action has so far, bee taken by the Head Office to investigate them and bring th delinquents to book. A bundle of livestock proposals containing 252 applications with Kutcha Receipts attached amounting in all to Rs.2,300-2-0 received from the Distri Agent, Dharwar, was lying undisposed; neither Pucca Rece nor Live Stock Certificates have been issued to the parti and practically no action has been taken in the Head Offi to ascertain if the amounts have been remitted to the Hea Office, or how they were disposed of.

39. The fact seems to be that this District Agent w doing very good business for the Company, remitting all t collections made by him and his sub-Agents to the Head Of in full. But seeing that the Head Office did not prompt send Pucca Receipts and the salaries of the staff, he too the law into his own hands and kept back the collections utilised them for salaries, loans and other purposes as h pleased even without the sanction or even the knowledge o the Head Office. After prolonged correspondence, he has mitted with his letter dated 16-9-1927 a statement of acc in which he acknowledges credit of Rs.2,389-5-0 as collect made by him and not remitted to the Head Office and shows an expenditure of Rs.3,302-5-0 or Rs.913/- in excess of t receipts. But no action has so far been taken in the mat One Mr. S. A. Swaminatha Iyer seems to have been sent ther for investigation, but he too has practically done nothing

40. The same hasbeen the case with almost every worke of the Company and being furnished with any number of rece books bearing the name and stamp of the Company, there age have been committing dreadful havoc in the name of the Com

and

and though most of the old agents have ceased to work on behalf of the Company, the unused receipt books remaining with them have not been taken back, affording them free scope for further havoc, whenever possible.

41. Lots of complaints have been received against one Narasayya, sub-agent, Bangalore Taluk, who has collected large sums of money in the shape of share amounts and Live Stock Subscriptions, granting Katcha Receipts and the amounts have not been remitted to the Head Office at all. Notwithstanding regular compalints to the Head Office by Appajappa of Madivala, Lakshminarasimayya and others, no action has been taken in the matter. What delays the institution of criminal proceedings against this sub-agent in the face of overwhelming evidence, is not understood.

REPORT OF THE SPECIAL COMMITTEE APPOINTED BY THE SHAREHOLDERS AT THE EXTRAORDINARY GENERAL MEETING HELD ON 16-6-1927.

42. It is seen from the report that most of the allegations made therein against the late Directors are true. It is a fact that owing to the mis-management at Head Quarters and more especially of Messrs. V. K. L. Mudaliar and Ramanna, the mofussil agents also followed their example and appropriated the collections made by them for their own purposes without even the knowledge of the Head Office.

43. In almost every transaction with which the late management was connected, there are clear indications of fraud, and these are described in full in the detailed report. In addition to those above described, the following also may be mentioned as deserving of notice.

(1) Double payment of the same bill, not to the part but to one of the Directors on presentation of a duplicate bill.

(2) Unauthorised appropriation of Rs.400/- from Dairy funds by Mr. V. K. L. Mudaliar, for his own purposes which, as Mr. Sundara Rao calls it, is clear misapplication of public funds, if not misappropriation.

(3) Purchase

(3) Purchase and sale of typewriting machines for the office.

(4) Grazing fided contract, in which Mr. Arunachelliah, Dairy Assistant, collected large sums of money and appropriated the same for his own purposes.

(5) Unauthorised borrowings by the Managing Agents from certain Marwari merchants at usurious rate of interest.

(6) Loss of an insured letter or money order received from sub-agent Bishtiah.

(7) Mr. Mudaliar's attempt to defraud the Company in claiming feeding charges of the Company's animals for October and November 1925 amounting to Rs.90/- though the animals (buffaloes) were received in the Dairy only on the 12th December 1925.

In this connection it will not be out of place to quote here Mr. Sundara Rao's remarks, vide his memo dated 19-4-27 to the Board of Directors regarding Mr. Mudaliar.

"Considering that Mr. Mudaliar has submitted some false bills to the Company and has dared to make a false statement in his adjustment report that the Dairy animals (buffaloes) were grazing since October 1926, when the Company owned no animals, and considering the fact that when he is debtor to the Company to a huge extent, he says he is not, he does not deserve to continue to be the Managing Agent, and his agreement has to be cancelled for the foregoing fraud committed on the Company. So long as Mr. V. K. L. Mudaliar continues, in my opinion, to be the Managing Agent, of the Company, there would be no salvation either to the Company or to the Directors."

(8) Unauthorised advances of Rs.75/- to Mr. Mudaliar as advance of Seigniorage Commission and Rs.70/- to Mr. B. Narasimhiengar as advance of legal charges on 12-1-1925, the date of the Statutory meeting, towards adjustment of their share calls, but for which they would have been defaulters and could not attend the Statutory Meeting.

(9) The bogus lottery introduced for attracting shares and the dishonest methods adopted for securing prizes.

(10) Drawing of unauthorised advances of all kinds, viz.,

Advances of Salary.
" Travelling Allowances.
" Appointing Charges.
" Seigniorage Commission.
" Advertisement Charges.
" Rent.
" Allowances to chief agents.
" Commission on L. S. Registration.

PRESENT MANAGEMENT.

44. Under the present management most of the defects pointed out in the Deputy Commissioner's Report have been remedied and the several registers posted up-to-date. All the old workers

have been mostly weeded out and a new set of agents entertained, and the business of the Company is now carried on more briskly than it was a year ago.

45. According to the old agreement, clause 2, the Managing Director, Mr. S. Gangaraju, is responsible to get registered at least 10,000 animals within a year from the date of his agreement throughout the working sphere of the Company and keep them on the roll every year. Finding this an impossible task, this has been deleted in the new agreement. According to the revised agreement Mr. Gangaraju has been endowed with extensive powers of doing and undoing things.

46. As at present constituted, besides Mr. Gangaraju the Managing Director, there are three other Directors, one at Sivasamudram, another at Kurnool and the third at Mannaguidi. So practically, the whole control of the Company is centred in one individual, the Finance and Organising Committees originally constituted under a resolution of the old Board of Directors having ceased to exist. In the absence of other Directors at Head Quarters and an efficient inspecting staff to check the work of mofussil agents, it will be physically impossible for one man, however capable he may be, to exercise an effective control both on the work of the Head Office and at agencies. Considering the volumes of business that is now being carried on in the far off countries and the heavy responsibility involved, the formation of a strong Board at Head Quarters seems absolutely necessary. By this, I am not casting any sort of slur or reflection on the present management but only suggest further safeguards in the interests of the share-holders.

47.There are at present on the rolls of the Company 16 organising Inspectors on Rs.150/- plus 125/- allowance; 123 Supervisors on Rs.50/- plus 25/- and 284 sub-agents who are paid by commission according to the work turned out by them. So besides the establishment in the Head Office costing Rs.700/-

per mensem including house rent and contingencies, the monthly cost on account of the out-door staff comes to nearly Rs.6,000/- at least, on the average.

48. The charges under salaries and remuneration to agents for the first eleven months of 1927-28, have gone upto above Rs.27,000/- and the establishment has also have been increased of late proportionately with the work.

49. The balance at credit of the Company in the several Banks and Co-operative Societies in Mysore and outside, on 31st March 1928 amounts to nearly Rs.23,000/- (Rupees Twenty three thousand only).

SUMMARY.

50. The important irregularities noticed in the foregoing paragraphs may be briefly summarised as follows:--

(1) The company was started more for personal benefit than for public good. (Para 2).

(2) Non-disclosures, on the part of Mr. Mudaliar and Mr.B. Narasimha Iyengar, a Co-Director and Legal Advisor of the Company, even to the Board of Directors, of the several legal and other defects existing in the leasehold estate, as required by section 91 A, of the Mysore Companies Regulation, and Section 108 (Clause -a) of the Transfer of Property Act. (Para 4).

(3) Unauthorised alterations and interlineations in the lease deed before it was taken to the Sub-Registrar's office for registration. (Para 4(b)).

(4) Irregularity on the part of the Organising Committe in sanctioning a loan of Rs.5,000/- to Mr. Mudaliar as also the writing off of the lease advance of Rs.720/- drawn by him, though the Committee had no financial powers of any kind (Para 8).

(5) The misrepresentation and fraud played on the Company in connection with the purchase of Mrs. Kenchiah's lands in the Hunsur Taluk (Paras 9-11).

(6) Fictitious entries in the cash book unsupported by proper vouchers, and the attempt of the Managing Agents to square up the deficit in the cash balance before the Statutory Meeting. (Paras 12-17).

(7) Unauthorised utilisation of company's funds for private purposes as shown in the rough cash book, and omitting them in the fair, by increase in the balance on hand. (Para 18).

(8) Irregularities in the Dairy Accounts, Viz.,

(a) Cash deficit of Rs.641/- and odd.

(b) Non-mainte

(b) Non-maintenance of proper stock account for the Dairy products, and the shortage of 1136 seers of milk that remained unaccounted for on the date of closing the Dairy. (Para 21).

(9) Besides cash and other property amounting to over four -thousand rupees that are shown as unaccounted for in the audit -reports of Mr. Narasimha Moorthy, sums aggregating Rs.318-1-0 have since been traced in the course of the present investigation and these have not been brought to the cash book. (Paras 22-23).

(10) Incorrect and false Balance Sheets presented to the Shareholders, contrary to section 282 of the Companies Regulation. (Paras 24-36).

(11) Gross mismanagement on the part of the Directors and consequent misappropriation of Company's funds by mofussil agents. (Paras 38-41).

(12) Unauthorised appropriation of Rs.400/. out of the Dairy funds, presentation of false bills for payment by Mr. Mudaliar, bogus lottery introduced for attracting shares and the dishonest methods adopted for securing prizes etc. (Para 43).

51. In conclusion, my thanks are due to Mr. Gangaraju, the present Managing Director, but for whose ready co-operation and help, I could not have gone into the work so minutely.

Sd/- T. SUBBARAMIAH,
Retired Assistant Comptroller,
& Certified Auditor & Government
Inspector, The Mysore Agricultural
Dairy Farm Co., Ltd.,

"C O P Y"

23/5

for Registrar of Joint Stock
Companies in Mysore.

GOVERNMENT OF MYSORE.

IN REPLY PLEASE REFER TO No. CC/H/1926-27/686

OFFICE OF THE FIRST ASSISTANT SECRETARY
22 AUG. 1928
No. 1276

Office of the Registrar of Joint Stock Companies in Mysore.

Encl: Two Reports.

Dated, Bangalore 21st August 1928.

GEN. & REV. SECRETARIAT 1634 1928 DEVELOPMENT BRANCH

FROM

S. T. Rajagopalachari, Esq., B.A., B.L.,
VENKATHYAGARAJA IYER, ESQ., M.A.,
Registrar of Joint Stock Companies in Mysore.

To

Rao Bahadur M. Rama Rao, Esq., B.A., B.L.,
Secretary to the Government of His Highness
the Maharaja of Mysore, Development Departments,
Bangalore.

Sir,

In continuation of this office letter No. C.12/27-28 dated 7th August 1928, I have the honour to forward herewith copies of letters dated 10th July and 6th August 1928 received from Mr. T. Subbaramiah together with his detailed report on the affairs of the Mysore Agricultural Dairy Farm Company, Limited, and the enclosures thereto.

(2) Under Section 141(1) of the Mysore Companies Regulation, a copy of the report has to be forwarded by Government to the registered office of the company. This office will require 3 or 4 copies and -- Government may require half a dozen copies. As the report is very long, I request that orders of Government may kindly be obtained for printing a dozen copies, its cost being met by the company under Sub-Sections (2, and (3) of Section 141.

(3, The action that may be taken under the companies Regulation will be suggested on receipt of the printed copies.

(4) As regards the increased remuneration wanted by Mr. Subbaramiah a separate reference will be made.

I have the honour to be,
Sir,
Your most obedient servant,

REGISTRAR.

NPS.

Section I.C

File No. 15-26

Serial No. 19

No. D 2797/Sec: and file

Diary No. of letter replied to.....

General and Revenue Secretariat

( )

the *192*

To The Registrar of J.S.Cos

Date of issue 5/9/28

Signed by Mr V.V. Sharma

Sir,

With reference to your letter C 12/27.28 Dt 21-8-1928. forwarding Copies of letters Dt 10-7-28 and 6-8-1928 Received from Mr T. Subbaramiah together with his detailed report on the Affairs of the Mysore Agricultural Dairy Farm Company, Ltd, and requesting Sanction to the printing of the report, I am directed to State that, if Govt approve of the suggestion to print a dozen Copies of the report

List of enclosures Two reports

Copied by .....

Examined by .....

over

~~as seen approved~~

The enclosures to my letter of tender reply are returned herewith

I have etc

WR 3/9

~~For Secy to Govt~~

Asst Secy

RR
7/9/18

Section J 5

File No. 15-26

Serial No. 20

No. 3259.

Diary No. of letter replied to.....

General and Revenue Secretariat

( )

the *192*

To The Registrar of Joint Stock Companies

Date of issue 15-9-28

Signed by M. V. Achaya.

Sir,

In Continuation of this Office letter D 2797 | J S. 15-26-19 dt 5-9-1928 Communicating the approval of Govt to get printed a dozen copies of the report by Mr T Subbaramiah, on the affairs of the Mysore Agricultural Dairy Farm Ltd I am directed to State that the Cost of printing the report in question may be met by the Company as suggested in your letter No C.12/27.28. dt 21-8-1928.

I have etc

M V A 8/9

over For Secy. to Govt.

List of enclosures.....

Copied by .....

Examined by .....

GOVERNMENT OF MYSORE. J.S.15-26- R.R.

IN REPLY PLEASE REFER TO
No. C.12/27-28.
ENCL.

Office of the Registrar of Joint Stock Companies in Mysore.

Dated, Bangalore 7th August 1928.

FROM

S. P. Rajagopalachari, Esqr., B.A., B.L.,
Registrar of Joint Stock Companies in Mysore.

GEN. & REV. SECRETARIAT 1227 8 AUG 1928 DEVELOPMENT BRANCH.

To

N. Rama Rao, Esqr., B.A., B.L.,
Secretary to the Government of His Highness
the Maharaja of Mysore,
Development Departments, BANGALORE.

Sir,

With reference to your letter No.D.1218/J.S.15-26 dated 1st August 1928, I have the honour to state that the detailed report on the affairs of the Mysore Agricultural Dairy Farm Co., Ltd., has be received in this office. It is being examined and will be submitt to Government after examination is over.

I have the honour to be,

Sir,

Your most obedient servant,

S P Rajagopalachari

Registrar.

MDM.

Submitted

The receipt of the Report will be awaited.

CBR 9/8

GEN. & REV. SECRETARIAT 13 AUG. 1928 DEVELOPMENT BRANCH.

GOVERNMENT OF MYSORE.

IN REPLY PLEASE REFER TO
NO. C/2/27-28
ENCL. Six (by separate pkt)

94

Office of the Registrar of Joint Stock Companies
in Mysore.

Dated, Bangalore 5th February 1929.

FROM

A. K. Syed Taj Peeran, Esq., B.A.,
XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX,
Registrar of Joint Stock Companies in Mysore.

GEN. & REV. DEPARTMENTS
6529
FEB. 1929
DEVELOPMENT BRANCH

To

N. Rama Rao, Esq., B.A., B.L.,
Secretary to the Government of His Highness
the Maharaja of Mysore, Development
Departments, Bangalore.

J.S.15-26-21

S i r ,

With reference to xxxx the correspondence ending with your letter No. D3259/J.S.15-26-20 dated 15th September 1928, I have the honour to submit herewith 6 printed copies of the Report of Mr. T. Subbaramiah on the investigation of the affairs of the Mysore Agricultural Dairy Farm Co., Ltd.

(2) On page 49 of the Report, Mr. Subbaramiah has given a list of offences committed by the Company under the Mysore Companies Regulation. If approved by Government, prosecutions will be launched against the company under all the Sections of the said Regulation mentioned therein.

(3) In paragraph 42, page 9 of the Report, the company is stated to have published a notice containing matter relating to a lottery. Even though no prizes are stated to have been paid, the publication of the notice itself constitutes an offence punishable under Section 294A (2) of the Indian Penal Code. The names of all the Directors responsible for the issue of the said notice have not been mentioned in the Report. The Police Department may be addressed in the matter of further investigation for taking necessary legal action in the matter.

(4) There is some doubt about paragraph 76. The explanation of the company has been called for in the matter and as soon as

it is received a report will be submitted to Government.

(5) Some other ~~officers~~ offences punishable under the Indian Penal Code are stated to have been committed. The Legal Remembrancer may kindly be consulted in the matter and the Police Department asked to take further action.

Harry ✓ (6) As per your letter D3724/J.S.15-26 dated 27th September 1928 a copy of the report has been sent to the Managing Director of the company as required by Section 141 of the Mysore Companies Regulation.

I have the honour to be,

S i r ,

Your most obedient servant,

Registrar.

Report of Inspection of
THE MYSORE
AGRICULTURAL DAIRY FARM Co., Ltd.,
MYSORE (Bangalore)

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REPORT OF INSPECTION OF

THE MYSORE AGRICULTURAL DAIRY FARM CO., LTD., MYSORE.

Date of Incorporation	... 9th May 1924
Prospectus filed	.... 12th May 1924
Date of filing of Declaration	.... 14th July 1924
Date of Certificate for above	... 6th August 1924

It is a Limited Company, first started with a share capital of Rs 50,000 subsequently raised to one lakh, divided into ten thousand shares of Rupees ten each.

2. First Directors.

1. Mr. B. Narasimhiengar, B.A.; B.L.; Advocate.
2. Dr. A. J. Ram, L. M. S.
3. Mr. C. Krishna Sastry; Retired Sub-Registrar and 1st grade Pleader Mysore.
4. ,, K. Ramanna, Mechanical Engineer.
5. ,, N. Krishnaswāmy Row, Zamindar.
6. ,, V. K. Lakshmana Mudaliar, Proprietor, Keragahalli Indigo Estate.
7. ,, S. Sundara Row, B.A., LL.B., Advocate, Mysore.

Managing Agents.

Messrs. V. K. Lakshmana Mudaliar & Co.

Scope of Inspection.

3. The irregularities and short comings noticed in the course of audit of the accounts of the Company have been clearly pointed out in the several audit reports placed before the General body of Shareholders at the respective General Meetings. The present investigation goes a little further and endeavours have been made, as far as possible, to examine the several figures shown in the Balance Sheets, as also the causes that have contributed to the heavy loss sustained by the Company.

MANAGING AGENTS—Messrs. V. K. Lakshmana Mudaliar & Co.

4. The firm consisted of three partners, and under an agreement entered into with the Company on 27—7—24., Mr. V. K. Lakshmana Mudaliar was the Organising Managing Agent, Mr S. Sundara Row, Office Managing Agent, and Mr. K. Ramanna, Dairy Managing Agent. The important conditions of the agreement in the interest of the Company were clauses 1 and 9 which are :—

Clause (1) To organise the business on sound basis and see that it works to the full swing, so as to distribute good profits to the Shareholders.

Clause (9) The Managing Agents **shall keep regular and correct accounts of the income and expenses of the Company.**

The above two conditions were more honoured in their breach than in their observance. The second clause above is in strict conformity with Section 130 of the Regulation and also Art. 142 of the Articles of Association : and yet the Managing Agents not only failed to maintain correct accounts but also reduced the Company to a state of insolvency.

5. Two of the partners of the firm, viz., Messrs. Ramanna and Sundara Row resigned so far back as 18th November 1925 and 16th April 1926, respectively. leaving Mr. V. K. L. Mudaliar as the sole member of the Firm. Seeing the chaotic condition to which the affairs of the Company had been reduced, after Mr. Sundara Row's resignation, as Office Managing Agent, the Company should have taken the obvious step of terminating the contract with the Managing Agents, as soon as the partnership of Messrs. V. K. Lakshmana Mudaliar & Co. ceased to exist. But why this was not done is not understood.

6. But as per resolutions passed at the Extraordinary General Meeting held on 15—6—27 and Confirmatory Meeting of 1—7—27, the above agreement as well as the appointment of the said firm of Messrs. V.K. Lakshmana Mudaliar & Co. was cancelled, under clause VI of the Memorandum of Association.

Managing Director.

7. In para 10 of the Directors' Report to the Shareholders at the General Meeting held on the 10th October 1927, it is brought to notice, that the Directors, on the letter of consent given by Mr. V. K. Lakshmana Mudaliar, appointed Mr. J. Shankar Lall as Managing Director in July 1926, though in the Articles of Association no provision existed for such an appointment. A return of change of Directors was also filed with the Registrar on 26th July 26. But the abstract of the exact nature and terms of the contract was not notified to the shareholders, as required in section 91C (1) of the Companies Regulation.

8. Mr. Shankar Lall resigned in November 1926 and was succeeded by Mr. Gangaraju, the present Managing Director and a separate agreement was entered into with him, an abstract of which was duly forwarded to the shareholders and Articles 118(c) and 120 of the Articles of Association suitably modified by special resolutions providing for such an appointment.

Prospectus of the Company.

9. Excepting the last two, viz., those dated 21st December 27 and 20th April 28, the previous ones are not dated as required in section 92 of the Regulation. Before these two, another was issued after Mr. Gangaraju was appointed Managing Director and references in the report are to this prospectus, unless otherwise stated.

10. Coming to the latest, *i. e.*, the one dated 20th April 28, it has to be stated that paras 6 and 7 in page 5 are not correct for the following reasons.—

(1) The two hundred fully paid up shares allotted in favor of Mr. Kenchiah, in connection with the purchase of Mrs. Kenchiah's lands are not for cash.

(2) The above lands measuring about 34 acres, known as the Dharmapuri Estate, Bilikere Hobli in the Hunsur Taluk was purchased by the Company in June 25 and part consideration of the purchase money payable under the pronote dated 28—10—25 is still due to the vendor. It is not, therefore, understood how far the statement made in para 7 that no property has been acquired or purchased from vendors and no amount has been paid for the same is correct.

Memorandum and Articles of Association.

11. Though the objects for which the Company was started are very many, as enumerated in clause III of the Memorandum, the main object was more for personal benefit at the expense of the Shareholders and policy holders, as may be seen from sub-clauses (*h*) and (*i*), *viz* :—

(*h*) To acquire and purchase the existing stock in trade of the Keragahalli Indigo Estate, owned by Mr. V. K. Lakshmana Mudaliar, the Chief Managing Agent.

(*i*) To take on lease the above Estate under certain conditions.

12. As regards (*h*), the Directors were unanimously against the purchase and hence it was given up.

13. As regards the other, *i. e.*, the lease of the Indigo Estate, an agreement was entered into between the Company and Mr. V. K. Lakshmana Mudaliar, whereby the Company undertook to pay to Mr. V. K. Lakshmana Mudaliar an annual rental of Rs. 1,000 and not exceeding 10% of the profits, together with an advance of Rs. 1,500 in the first year; (2) to convert not less than forty acres of dry land into bagayet by growing cocoanut palms within a period of five years from the date of the agreement, and also some other terms most favourable to Mr. V. K. Lakshmana Mudaliar. Mr. Sundara Row's remarks in this connection are, as follows :—

" His whole proposed agreement shows clearly that he himself wants to make as much money as possible, out of public funds, and the Company would reap only little or no profits."

" Another dubious clause is clause (2) which entangles the Company in the long run in the web woven by Mr. V. K. Lakshmana Mudaliar ".

14. The chief points deserving of mention in this connection are :—

(*a*) The estate was not the absolute property of Mr. V. K. Lakshmana Mudaliar, as it was granted to him by Government for an upset price of Rs. 500 (Rupees five hundred only) on 18-6-19, under certain conditions for a period of ten years. The conditions not having been fulfilled, the Government have, in their Proceedings No. R. 7049/L. R. 120-26-5, dated 27—4—27, ordered the resumption of the estate.

(*b*) As at first arranged at the Board Meeting, the lease was for ten years ; but when the lease deed was taken to the Sub-Registrar's office for registration, there were interlineations and unauthorised corrections changing ten years into twenty.

(*c*) That the Estate had already been mortgaged to Mr. B. Narasimha Iyengar, a Co-Director and Legal Advisor of the Company for Rs. 13,500 (Rupees thirteen thousand and five hundred only) for a term of six years from 1921.

(*d*) That about fifty acres of the Estate had already been leased out to several ryots for varam cultivation for long periods, ranging from five to ten years and even these leases had not been transferred to the Company.

(*e*) Though under section 91 A of the Companies Regulation, full disclosure of all the above facts should have been made, neither Mr. V. K. Lakshmana Mudaliar nor Mr. Narasimha Iyengar disclosed them to the Directors until Messrs. Sundara Rao and Krishnamoorthy Sastry, who inspected the leased Estate, strongly condemned the idea of the lease. Consequently this was also given up.

15. One peculiar feature noticeable in connection with this lease affair is that everything was done in a reverse order, *i. e.*, the agreement is first executed on 27—7—24 and registered on 20—9—24, then the estate is inspected by Messrs. Sundara Row and Krishnamoorthy Sastry in company with Mr. V. K. Lakshmana Mudaliar on 25—10—24, and also by Mr. K. Ramanna on 16—11—24. The report of the Directors not being favourable, the question was again considered by the Board at their meeting held on the 6th December 1924, when an amendment was proposed by Mr. V. K. Lakshmana Mudaliar and the matter remained unsettled.

16. The remarks of Mr. Sundara Row in his inspection report under the heading "E. **Impediments to the successful working of the Agricultural Dairy Farm at Keragahalli**" deserves special mention.

"It is a pity that Mr. V. K. Lakshmana Mudaliar, being Director, Promoter and above all, the lessor of the property has been silent on the defects existing in the property, which he is, according to law, *i. e.*, the Transfer of Property Regu-

ition, section 108 cl. (*a*) bound to disclose to the lessee. One other sorrowful actor is, at the time of discussing the terms of the lease, all argument was ut short by both the Chairman and Mr. V. K. Lakshmana Mudaliar as to the ield data to be furnished and the time which I and Mr. C. Krishnamurthy astry wanted to think over the terms of the agreement, and, if possible, to inspect ie estate prior to entering into the agreement—Albeit, it is never too late to iend".

17. Meanwhile, the subject came up for discussion at the Statutory leeting of the Shareholders, held on the 12th January 1925, where it was rejected by the majority of the Shareholders [Vide also Mr. Sundara Row's note, ated 7—2—25. (App. A)]

18. In this connection it has to be stated that the Directors at their meeting eld on the 10th July 1924 passed the draft lease and also resolved that Messrs. undara Row and C. K. Sastry should inspect the estate and report. If the inspecon had been conducted in time and the report placed before the Board before ie lease deed was finally fair copied and presented for registration, all the worries nd subsequent complications involving in loss, both to the Company and the arty, could have been avoided.

19. Thereupon Mr. V. K. Lakshmana Mudaliar proposed an amendient, whereby he was to be granted a loan of Rs. 5,000 (Rupees five thousand nly) for the improvement of his lands, repayable in 12½ years with interest at 12 er cent per annum, on the security of the seigniorage commission earned by him nder cl. 5 of his agreement. Under this clause, Mr. V. K. Lakshmana Mudaliar as to get a commission of one and half anna per annum (subsequently reduced half-an-anna) for every live stock certificate in force, on the roll of the Live tock Compensation Bureau, which meant that the interest of Rs. 7,500 at Rs. 00 per annum was to be discharged in 12½ years, provided not less than 0,200 animals are kept on the roll for that period. Considering the fact that nt of 3,347 animals registered to end of June 27, *i. e.*, during the three years iat Mr. V. K. Lakshmana Mudaliar continued as Chief Organising Agent, only t have been on the rolls at present, it is a matter for consideration whether this an will ever be discharged at all.

20. The amended proposal was then brought up at the meeting of the **rganising Committee** held on 10—2—25, when it was resolved that the original ase be considered as cancelled by mutual agreement, sanctioning in its stead, the an of Rs. 5,000 asked for, on the security of the seigniorage commission. Meanhile Mr. V. K. Lakshmana Mudaliar had drawn Rs. 720 out of the advance of s. 1,500 stipulated in the lease, and in consideration of the cancellation of the ase, it was further resolved at the same meeting that the lease advance of Rs. 720 above referred to, be written off the accounts.

21 One noteworthy point connected with the sanction of this big loan of Rs. 5,000 by the Organising Committee is that this Committee consisted of Messrs. C. K. Sastry, (chairman), (2) N. Krishnaswamy Row, (3) K. Ramanna, (4) V. K. Lakshmana Mudaliar and (5) S. Sundara Row, of whom Messrs. Sundara Row and Krishnaswamy Row subsequently withdrew their consent on 24—2—25, before effect was given to the Resolution. Copies of their letters dated 24—2—25 to the Chairman, Organising Committee, are attached (vide App. B & C) and Mr. V.K. Lakshmana Mudaliar, was the party interested in the transaction: whether, under such circumstances the sanction accorded by the Organising Committee may be considered as valid, it is not possible to say.

22. The irregularities connected with this loan are :—

(1) Under the rules of the constitution, the Managing Agents were empowered to sanction loans up to Rs. 100; loans above Rs. 100 and up to Rs. 500 required the sanction of the Finance Committee, and above Rs.500, of the Board and that too in special cases only (vide copy of the rules—App. D). The

Organising Committee had no financial powers of any kind, and consequently, the sanction of the loan as well as the writing off of the lease advance of Rs. 720 was irregular.

(2) Evidently the Board of Directors seem to have realised the irregularity and at their meeting held on 28—2—25 resolved that Mr. V. K. Lakshmana Mudaliar be advanced an additional loan of Rs. 500 (Rupees five hundred only) on the bond, dated 27—2—25, executed by him in favor of the Company: the first loan of Rs. 500 having been already sanctioned by the Finance Committee at their meeting held on 5—2—25, they thereby ratified the action of the Organising Committee, so far as the loan of Rs. 1,000 (Rupees one thousand only) was concerned.

23. From the above, it is clear that no further loan was sanctioned and yet Mr. V K Lakshmana Mudaliar managed to draw petty amounts aggregating Rs. 375 from the Head Office on On-demand Pronotes and payee's receipts, as detailed in the margin, and it is astonishing how Mr. Sundara Row, the Office Managing Agent and the custodian of office cash and cash-book paid those additional amounts from time to time, as Mr. V. K. Lakshmana Mudaliar presented vouchers, without the sanction of the Board.

16— 4—25	...	Rs.	50	0	0
29— 4—25	...	„	50	0	0
4— 5—25	...	„	20	0	0
21— 5—25	...	„	50	0	0
26— 5—25	...	„	30	0	0
6— 6—25	...	„	50	0	0
7— 7—25	...	„	50	0	0
16— 7—25	...	„	50	0	0
10— 8—25	...	„	10	0	0
15— 8—25	...	„	15	0	0
24— 9—25	...	„	15	0	0
10—10—25	...	„	5	0	0
			375	0	0

24. In addition to the above, another Rupees four hundred was also drawn similarly from the Dairy without sanction, which, as Mr. Sundara Row calls it, is "**mere misapplication of Company's funds if not misappropriation.**"

25. Now that the two sub-clauses (***h***) and (***i***) of clause III of the Memorandum relating to the purchase of the Stock-in-trade and taking on lease the Keragahalli Indigo Estate owned by Mr. V. K. Lakshmana Mudaliar have been cancelled, they have since been deleted from the Memorandum, as per special resolutions passed at the Extraordinary General Meeting held on 15—6—27 and the Confirmatory Meeting held on 1—7—27, and the requirements of sections 12 and 15 of the Companies Regulation have been complied with, the other sub-clauses numbering from (***a***) to (***x***) are still retained : and excepting sub-clauses (***j***) relating to Live Stock Compensation Scheme and (***n***) relating to loans, the other clauses intended for the benefit of the public and the shareholders have been relegated to the background. Dairies were no doubt started and were also doing good business for some time, but owing to mismanagement and selfishness on the part of the Managing Agents, the whole Dairy concern ended in a miserable failure, and the Dairy was closed from 1st April 26, and though more than two years have already elapsed, no attempt is being made to revive the same.

Purchase of Mrs. Kenchiah's Estate.

26. The Keragahalli Indigo Estate lease affair having proved a failure, the Directors arranged to purchase Mrs. Kenchiah's lands, measuring about 34 acres of jungle in the Bilikere Hobli, Hunsur Taluk, known as the Dharmapuri Estate, for a sum of Rs. 5,000 (Rupees five thousand only). Both Mr. & Mrs. Kenchiah sent in an application to the Managing Agents (Messrs. V. K. Lakshmana Mudaliar & Co.) on 25—5—1925, stating that the lands were full of standing trees, such as Hunsay, Dhindul, Nerle and other jungle wood to the extent of nearly **thirty thousand Rupees worth** of fuel and that they were prepared to sell the same to the Company for Rs. 6,000 of which Rs. 1,000 was to be paid immediately at the time of registration of the sale deed, another Rs. 1,000 within a year and for the balance of Rs. 4,000 they were prepared to take four hundred fully paid-up shares in the Company.

27. The proposal seems to have emanated from Mr. K. Ramanna (vide his letter dated 4th June 1925 to Messrs. V. K. Lakshmana Mudaliar and Sundara Row). Thereupon Messrs. Sundara Row, V. K. Lakshmana Mudaliar, C Krishna Moorthy Sastry and Ramanna (Directors) in company with Mr. Kenchiah visited the Estate and gave a very glowing estimate of the property, Mr. G. Sundara Row estimating the standing fuel between seven and eight thousand cartloads (2) Mr. V. K. Lakshmana Mudaliar estimating the expected sale proceeds of fuel alone at Rs. 10,000, (3) Mr. Ramanna putting the least out turn on wood or fuel at ten to fifteen thousand cartloads, and even calculating at Rs. 2 per cartload estimated the income at about Rs. 20,000, while Mr. Krishna Sastry, though somewhat diffident, stated that, considering its distance from Mysore and the difficulty of transport, the estimation of receipts calculated was in his opinion, too high. He however said that the bargain was worth making, with a view to build some kind of assets in immoveable property. The file of inspection reports was sent round for circulation to Messrs. B. Narasimmiengar and A. J. Ram, who also gave their consent to the purchase, on the strength of the recommendations made by the Managing Agents and an independent Director. The bargain was struck and the sale deed was executed for Rs. 5,000 (Rupees five thousand only) on 9th June 1925, on the following conditions :—

(1) Rs. 1,000 to be paid at the time of registration.

(2) Rs. 2,000 to be paid in two years at Rs. 1,000 per annum, *i. e.*, in 1926 June and 1927 June, or in case of default, with interest at 6% per annum from the due date to date of payment.

(3) For the remaining Rs. 2,000, two hundred fully paid up shares to be allotted.

28. Accordingly Rs. 300 (Rupees three hundred only) was paid in cash at the time of registration of the document, *i e.*, on 9—6—25, and a Pronote executed for Rs. 700 in favor of Mrs. Kenchiah payable 90 days after date. The pronote having been finally endorsed in favour of Sahukar Banumiah on 18—7—1925, he filed a suit against the Company in the Court of the first Munsiff, Mysore, and recovered Rs. 847 including interest and Court costs.

29. Meanwhile, one Mr. G. N. Nanjunda Row, an ex-Forest Officer, who had accompanied the Managing Agents to the Forest area and Mr. Narain Iyengar, Agricultural Monegar, Hunsur, who were deputed to inspect the lands, made a detailed survey of the Estate and gave it, as their opinion, that the Estate did not contain the number of trees as represented nor was it worth more than one thousand rupees at the utmost-and that the price paid by the Company was exhorbitant.

30. As the reports of the Directors and of the Forest Experts regarding the number of standing trees and the valuation of receipts were quite conflicting, a notice was sent to Mr. and Mrs. Kenchiah on the 12th September 1925, stating that there was misrepresentation of facts &c., and asking them to come and settle matters personally within a week.

31. After some correspondence both Mr. and Mrs. Kenchiah came to a compromise on 28—10—1925, and as per mutual understanding they acknowledged receipt of Rupees two thousand in full satisfaction of the sale deed consideration, as well as refund of Mr. Kenchiah's payment of advance of calls on his shares in the following terms :—

"Rupees three hundred already received at the time of registration of the sale deed and rupees three hundred and fifty received to-day, and a promissory note for rupees one thousand three hundred and fifty, *i.e.*, all comes to two thousand in full. And on receipt of the amount due to us on the above said a pronote, we will return you the hundi for Rs. 700, dated 9—6—1925, executed by you in our favour with endorsement that it stands cancelled by mutual consent. In the meanwhile, if any steps are taken against you on account of the hundi for rupees seven hundred we will be held responsible to redress you in the matter.

32. One important point noticed in this connection is that in the natural course of events, the question of misrepresentation and the consequent reduction in the sale consideration should have been placed before the Board of Directors or the Sub-Committee, before arriving at the revised settlement.

33 But in this case also, as in the case of the Keragahalli Estate lease, the agreement is effected first, *i.e.*, on 28—10—25, and the proposition is brought up before the Sub-Committee at their meeting held on the 4th November 1925, the proceedings in this connection being as follows :—

"Proposed by Mr. B. N. Iyengar and seconded by Mr. C. K. Sastry that reduction in the payment of the consideration amount from Rs. 5,000 to Rs. 2,800 be accepted, as per details noted, under the circumstances of expediency. The details are noted in the margin.

Rs.	800	0	0	Share application and allotment on 200 shares by Mr. Kenchiah
	300	0	0	Paid on date of registration
	350	0	0	Paid on date of revised settlement
	1,450	0	0	
	1,350	0	0	To be paid
	2,800	0	0	

The Managing Agents would see that the amount is paid from the assets of the Company. If this procedure is not possible, they will pay the same from their pockets and adjust when funds available, from the Company. The amount of share calls paid in advance by Mr. Kenchiah may be refunded to him, per letter dated 27—10—25, in adjustment of the above consideration of the e."

"Carried unanimously."

34. It is strange that in the above resolution also, no reference is made the pronote for Rs. 700 executed on 9—6—25. As regards refund of share calls . Easwariah seems to have taken a technical objection and even contended that ainst Rs. 2,800, as per revised settlement, the Company had actually paid Rs. 50, *i. e.*, Rs. 950 in cash and Rs. 2000 by adjustment to shares or Rs. 150 in cess. This argument does not, however, appear to be correct in the face of the ised settlement of 28—10—25, whereby Rs. 2000 (Rupees two thousand only) payable to Mrs. Kenchiah in cash, as detailed in para 31 *supra*, in addition to adjustment of another Rs. 800 towards application and allotment on 200 ares to be newly allotted in favour of Mr. Kenchiah, in lieu of the 200 fully paid shares originally allotted and which automatically stands cancelled.

35. All that is now required is that the advance of share calls viz., Rs. 00 adjusted towards the first 200 fully paid up shares is withdrawn *i.e.*, by debit share calls and credit to land account, intimating Mr. Kenchiah of the same.

36. This arrangement will be in strict conformity with the revised settlent as well as the resolution of the Sub-Committee and without hardship to her party.

37. From the above, it will be seen that Mr. and Mrs. Kenchiah have other claim on the Company except the pronote for Rs. 1,350, subject to the justment of the first pronote for Rs. 700 executed on 9—6—25 and which has en paid off to Mr. Bammiah under a decree of the civil court with interest and ourt costs, and also another sum of of Rs. 300 paid on 5—12—25, the balance yable being only Rs. 350 towards principal.

38. The noticeable points in this transaction are—

(1) The cost price of the land paid by Mrs. Kenchiah to Govt. was s. 323-7-0, as per Treasury receipts produced and yet what made the managing ents to bargain it for Rs. 5,000 (Rupees five thousand) and that after hundreds of rt loads of fuel had been removed by Mr Kenchiah is a mystery.

(2) That there was fraud and misrepresentation is patent from the fact that from Rs. 5000 the sale consideration is suddenly reduced to Rs. 2,800, which is a little over half the original amount.

(3) Though Mr. Kenchiah in his application dated 27th October 25 asked for the cash refund of Rs. 1,200 shown as credited towards share calls, the managing agents readily sanctioned the same, the very same day, subject to confirmation by the Sub-Committee and on the following day, the mutual agreement is effected wherein no mention is made of the cash refund to be made; and yet when the matter came up before the Sub-Committee at their meeting held on 4th November 25, a resolution is passed sanctioning the same (vide para 33 supra). Though at the meeting there were the framers of the Memorandum and Articles of Association, somehow or other they seem to have lost sight of the fact that such refund was not permissible under the rules.

(4) The same Sub-Committee realising the irregularity somehow, resolved as follows, at the adjourned meeting held on 6—11—25.

RESOLUTION No. 1:—" That as the transaction was entered into without a resolution of the Board or Committee, the managing agents are requested to use their best discretion in converting the same into a profitable concern immediately." Though more than two years have elapsed, the resolution has remained a dead letter and the Estate does not fetch even the kandayam of Rs. 28 and odd payable to Government every year.

(5) For some reason or other, the pronote for Rs. 700 executed on 9—5—25 was being ignored at every stage, both by the Managing Agents and Mr. Kenchiah.

(6) To avoid complications and unnecessary litigation, the present Managing Director came to a compromise with Mr. Kenchiah, just before the General Meeting of the 10th October 27, offering to pay to Mr. Kenchiah Rs. 350, being the balance of principal and Rs. 100 towards interest or Rs 450 in all in final settlement, on condition that Mr. Kenchiah surrenders his 200 fully paid up shares, to which Mr. Kenchiah readily agreed. The matter was placed before the General Body and with their concurrence, the amount was offered to be paid ; but Mr. Kenchiah has changed his mind and now claims Rs. 1,050 towards the pronote and Rs. 882 towards interest thereon at 3 % per mensem, ignoring the pronote for Rs. 700 altogether, notwithstanding the fact that this pronote made over by him to Mr. Banumiah has been discharged by the Company with interest and Court costs.

(7) With a view, however, to ascertain the real state of affairs, the present Managing Director and the undersigned with Mr. Narayana Iyengar, the Agricultural Monegar who first inspected the lands, inspected the Estate on the 8th February last and were convinced that the reports of the Managing Agents were highly exaggerated.

(8) Another important point noticed in this connection is that throughout the correspondence, the parties on both sides, the Managing Agents as well as Mr. Kenchiah, acknowledge cash payment of Rs. 950 till the end of December 25, in addition to the adjustment of Rs. 2,000 towards shares. But the Cash-book and Ledger for the corresponding period show only Rs. 2504-2-0 (vide Balance-Sheet for 31st December 25) or Rs. 445-14-0 less. Rs. 300 drawn from the Mysore City Co-operative Society and paid to Mrs. Kenchiah on 5—12—25, had been left out on both sides of the account and adjusted only in March 27.

39. Apart from all the above, another matter of no less importance is whether the 200 fully paid up shares issued in favour of Mr. Kenchiah on 9—6—25, were for cash, or only an adjustment entry. This question seems to have been raised by the Registrar also in his letter No. 323, dated 31st May 26, and the Managing Agents in their letter No. 5338 dated 1st June 26 have replied stating that " the transaction being one of cash consideration, it does not fall under the provision of section 104-(1) (*b*) of the Companies Regulation." It may be stated in support of this contention, that the land belonged to Mrs. Boramma, wife of Mr. Kenchiah and not to Mr. Kenchiah, in whose name the shares were taken.

This, it must be stated, is only a subterfuge, and does not appear to be a fact for the following reasons.—

(1) The balance of cash on hand on 9—6—1925, as per rough cash-book, was Rs. 8-6-5 and as per fair Rs. 115-14-0 only, and consequently no amount was available for payment to Mrs. Kenchiah.

(2) The next question for consideration is whether Mr. or Mrs. Kenchiah could have paid cash for the 200 fully paid up shares taken on behalf of Mr. Kenchiah. If, as a matter of fact, the transaction had been one of cash consideration, where was the necessity to bring in the question of adjustment of this amount in the sale deed, unless it be to evade the rule in the Prospectus, as also section 104 (1) (*b*) of the Companies Regulation? Moreover, the voucher for the payment of this amount, (included in Voucher No. 1404) is not also forthcoming. In support of this argument, I would invite reference to the statement of Mr. Sundara Row made before the First Munsiff, Mysore, in O. S. No. 571 of 1925-26 (Mr. Banumiah *versus* Company), which runs as follows:—

"The consideration for the sale was Rs. 5000. Exhibit I is the sale deed. The details of consideration are—Rs. 300 paid in cash, Hundi for Rs. 700 payable in 90 days, **Rs. 2,000 in the shape of fully paid up shares in the Company** and Rs. 2000 to be paid in two years."

40. The bold typed portion in the above does not and cannot ever mean that cash was paid. Instead of treating this transaction by a journal entry, the amount was adjusted in the cash-book itself, to overcome the rule that no shares are to be allotted otherwise than for cash.

41. It is thus clear that the report to the Registrar on 1—6—1926, referred to above is not correct and the case clearly falls under section 104 (1) *b)* of the Regulation. It is therefore a matter for consideration whether the Managing Agents who have signed the reply to the Registrar are not liable under section 104 (3) of the Regulation.

Shares.

42. One of the clever methods adopted by the Managing Agents to popularise the Company's shares was the institution of a bogus lottery, in advertising which they offered one hundred prizes of Rupees one-hundred, and fifty prizes of Rs. 250 to the first 150 subscribers of five and ten shares respectively, between the 26th June and 15th July 24, by promising to distribute Rs. 4,500 among 30 subscribers per annum during the first five years, out of the expected income of Rs. 90,000 from Live Stock Registration of the 30,000 animals guranteed by the Chief Agents of Mysore and Bangalore Districts by setting apart 15 o/o thereof or Rs. 13,500, as reserve for such distribution.

(NOTE.—The amount required for five years at Rs. 4,500 per annum is Rs. 22,500. But being a purely Utopian scheme, perhaps this was not seriously thought of.)

43. Though this inducement had a salutary effect, there has been no prize-distribution so far. The explanation of the Board of Directors in reply to the question raised in the anonymous petition is as follows:—

"It is no lottery. **The shareholders have a permanent right as shareholders in the Company as well.** The prizes were offered on the guarantee of Cattle Insurance offered by the District Agents of Mysore and Bangalore who have failed miserably, as per terms of their agreements."

44. The meaning of the second sentence is not quite clear. Considering the fact that the Company has not been able to register even 7,500 animals during the last four years, it is a matter for consideration whether this hope will ever be realised at all.

45. One serious irregularity noticed in this connection is the objectionable or rather the dishonest means suggested by Mr. Ramanna as disclosed in

the letter, dated 12—7—24 to Mr. V. K. Lakshmana Mudaliar, asking him. "to that these gentlemen, viz., Mr. Venkatagiriappa, Mr. Narayana Iyengar, Mr. V katasubbiah and Mr. Chennappa, Inspector, will get a prize.' From this letter is clear that underhand dealings and foul play were under contemplation and t Messrs. V. K. Lakshmana Mudaliar and Ramanna at least had conspired to defr the public with false hopes. Copies of the English and Kannada Prospectus of lottery, as also of Mr. Ramanna's letter are attached (vide App. E, E1, and E2)

General Meetings and Directors' Reports.

46. Statutory Meeting—The Company having been authorised to co mence business, on 14th July 1924, this Meeting which was held on the 1 January 1925, was regular and the requirements of section 77 were complied wi

One slight irregularity noticed is that in para 1 of the Directc Report, the number of shares allotted is shown as 3,586, while as per Prospect and Accounts it is 3,587.

47. Under Articles 57 and 145 of the Articles of Association, the first a second General Meetings should have been held in 1925 and 1926 and the Balan sheets for 31st December 1924 and 31st December 1925 presented to the sha holders not later than the 30th April 1925 and 30th April 1926 respectively. B owing to differences between the Director and the Auditor, this could not be do A General Meeting was, however, held on the 12th May 1926, but for some reas or other, it was declared invalid.

48. The matter having been brought to the notice of the Registrar, inspected the Office of the Company on the 11th July 1926, and the result of h inspection was communicated to the Managing Agents in letter No. 480, dat 3rd August 26; warning them with penalties under the Regulation, unless tl General Meeting was held and copies of Balance sheets submitted within a mont

49. The first ordinary General Meeting was thereupon held on 30-9-2 and continued to 3—10—26 also. Copies of the proceedings of the Meeting an the several returns due under the Regulation were submitted to the Registrar o the 12th October 1926.

50. Under Art. 145 of the Articles of Association, the Balance-sheet an Profit and Loss account should have been made up to 31st May 1926, *i. e.*, up t date not more than four months before the meeting. But as the Balance-shee resented was up to 31st December 25, the accounts were five months behind.

51. At this General Meeting it was resolved that a Committee consistin of Messrs. C. Krishnamoorthy Sastry, K. R. Iyengar, R. K. Naidu an Easwariah be formed to investigate into the accounts and general affairs of th Company, and submit their report on or before the 31st December 1926. To thi same Committee was also referred the question of deficit of cash balance of Rs 648-9-8 in the Dairy.

52. The Directors' Report and the Balance sheet and Profit and Los account were provisionally accepted subject to the above observations. But a Mr. C. K. Sastry died before the Committee commenced regular work, the Committee dissolved of itself and nothing was done.

53. The next General Meeting was the Extraordinary Meeting held or 15—6—1927, and its Confirmatory Meeting held on 1—7—1927. The extraordinary resolutions passed at the first meeting and the special resolutions confirmed in the second were filed with the Registrar on 24—6—1927 and 11—7—1927 respectively

54. The Special Resolution was confirmed by the District Judge, Mysore, on 23—9—1927, as required by section 13 and a certified copy of the order was filed with the Registrar on 21—12—1927, agreeably to section 15(1) of the Regulation.

55. The 2nd Ordinary General Meeting was held on 10—10—27; though this was held within 15 months of the first, still the condition laid down in Art. 145, that the accounts should have been made up to a date not more than four

months before the meeting was not complied with. The Balance-Sheet for 31st March 1927 should have been presented to the shareholders not later than the 31st July 1927. There was thus a delay of nearly 2½ months, but the same has been condoned by the Registrar, on application.

56. The Special Resolutions passed in the Second Annual Meeting were filed with the Registrar on 14—11—27.

Accounts.

57. The business of the Company was divided into two Departments, viz., Head Office and Dairy, each department maintaining its own Cash-books, Ledgers &c In neither of these departments was the cash-book maintained with that care and attention that it deserved.

58. **Head Office.** This Department was under Mr. Sundara Row, Offi-- Managing Agent, from the commencement up to 15th April 1926; and on t following day he handed over charge to Mr. V. K. L. Mudaliar, the Chief Orgai sing Agent with a cash balance of 0-4-5 (annas four and pies five) as arrived at the Rough Cash-book.

59. Four rough cash-books and one fair cash-book were maintained this department, of which the fair cash-book and rough cash-books Nos. 3 and only seem to have been placed before the Auditor (Mr. Easwariah) for check. T other two seem to have been since found and were produced in the course of tl present investigation.

60. The periods from and to which each book was maintained and tl state of the cash balance as shown therein are given in the annexed statement.

	First Rough Cash Book i.e. 23-5-24 to 13-10-24.			II. Rough Cash Book 1-11-24 to 10-12-24.			III. Rough Cash Book. 16-5-24 to 8-12-24.			IV. Rough Cash Book. 16-5-24 to 20-8-24 & 1-1-25 to 20-1-25 & 31-1-25 to 18-7-26.			Fair Cash Book		
31— 5—24	1	7	0	...	...	...	1,445	10	0	—4	6	0	1,445	10	
30— 6—24	1	0	0	...	...	...	1,506	9	0	60	1	6	1,506	9	
31— 7—24	15	7	6	...	...	...	2,171	9	9	1,463	3	3	2,046	9	
31— 8—24	4	10	6	...	...	...	1,891	15	11	...	...	...	1,499	11	
30— 9—24	1	7	6												
Op. B. 1—10—24	22	11	9	...	...	...	1,980	1	8	...	...	...	1,356	3	
31—10—24							4,476	5	3						
Op. Bl. 1—11—24	...	...	...	18	0	7	4,238	0	7		...	...	1,573	8	
30—11—24	...	...	...	...	...	...	967	6	11		...	...	1,524	10	
10—12—24	...	...	...	17	5	0	...	...	...		...	...	1,608	13	
20—12—24	...	...	...	...	...	...	...	...	...		...	...	212	11	
31—12—24	...	...	...	...	...	...	...	...	...		...	...	52	11	
1— 2—25	...	...	...	...	...	...	...	...	...		...	...	103	7	
31—10—25	...	...	...	...	...	...	...	...	...		12	2	145	9	
31—12—25	...	...	...	...	...	...	...	...	...		...	...	15	2	
16— 4—26	...	...	...	...	...	...	...	...	...		4	5	39	5	

61. In the rough cash book No 1, *i. e.*, from 23—5—24 to 13...10—24, the receipts are all from Mr. Sundara Row and Mr V K. Lakshmana Mudaliar, while the payments agree with the fair cash book. This is more of the nature of an imprest account. One noteworthy point noticed in this cash book is that the closing balance on 30—9—1924 is shown as Re. 1-7-6, while the opening balance on 1—10—1924 is shown as 22-11-9, and both of these are attested by Mr. Sundara Row.

62. The second rough cash book is from 1—11—1924 to 10 -12—1924.

63. The third is from 16—5—1924 to 8—12—1924. In this cash book daily balances have not been correctly worked out. Besides mistakes in posting, such as entering in cash column instead of Bank and *vice versa*, as in page 12, there have been mistakes in totalling also. As per pencil totals, given in pages 90 and 91 of the cash book at the end of November 1924, *viz.*, Rs. 3,189-10-6 and Rs. 2,222-3-7, the closing balance ought to be Rs 967-6-11. But against this balance, expenditure to the extent of Rs. 989-13-0 has been recorded to end of December 1924, without any entries on the credit side, and there are also Mr. Sundara Row's initials at the end of each page. Though credits to the extent of Rs. 1,343 have been recorded in the fair cash book, the same have not been shown in the rough.

64. Rough cash book number 4 from 16—5—1924 to 20—8—1924, and from 3—1—1925 to 20—1—1925, and again from 31—1—1925 to 18—7—1926. This cash book is initialled by Mr. Sundara Row every day till 16 4—1926, the date of his handing over charge to Mr Mudaliar and thereafter by the latter, and attested by the Chairman at the end. One peculiarity noticed here is that in page 45 of this book beginning from February 25, Mr. Sundara Row has remarked as follows :—

"Correct katcha accounts begin from February 1925."

65. The reason therefor is not far to seek. In page 43 of this cash-book, the transactions to end of 20—1—1925 are recorded and a cash balance of Rs. 25-10-3, struck at the close of the day. But at the bottom of this page are the following notes in red ink:—

Rs.	22	8	0	A. J. Ram.	Paid Mr. A. J. Ram. Sitting Charges on 8—9—25 or so Rs. 22-8-0
	2	0	0	H N. Row.	
	1	0	0	S. S. Row	
	0	2	3	Sundry	
	25	10	3		

66. The right hand portion, viz., "Paid Mr. A. J. Ram sitting charges on 8—9—1925 or so—Rs. 22-8-0" appears to be in the hand-writing of Mr. Sundara Row. There are no further entries from 21st to 30th January 1925: and again the cash-book commences from 31—1—1925 **with a nil balance** and the closing balance for the day is **pies two**: and this is also dropped, the cash book from 2—2—1925 again commencing with a **nil** balance. The peculiarity here is that the cash balance of Rs. 25-10-3 of 20—1—1925 and pies two of 31—1—1925 suddenly disappear, Rs. 22-8-0 alone reappearing in the fair cash book on 8-9-1925 while it is omitted in the rough: the other petty items are not traceable at all.

67. Another peculiarity noticed in this same cash book (vide page 105) is that on the 8th September 1925, as at first closed and attested by Mr. Sundara Row, the cash balance was Rs 2-14-9 only: an additional credit of Rs. 37-4-0 is entered as received from the Dairy, as also a payment of Rs. 70 to Mr. K. Ramanna on account of sitting charges. **How it was possible to pay Rs. 70 out of Rs. 37-4-0 only is impossible to understand**: and there is Mr. Sundara Row's signature below these entries, under date 8—9—25. And yet on the 10th September 25, the next working day, the cash-book opens with the balance of Rs. 2-14-9 as at first shown, at the close of 8—9—25.

68. It will not be out of place to mention here that an attempt was also made to show this same cash balance of Rs. 2-14-9 in the fair cash book also on

8—9—25. but subsequently all the closing entries have been scored out and attested by Mr. Sundara Row. The only inference that can be drawn is that there was short cash from 20—1—25. (Vide para 65 *supra*) and as sitting charges of Rs. 22-8-0 and Rs. 70 had not accrued till that date. the items could not be debited earlier.

68 A. In this connection it has to be stated that in the fair cash book, totalling of both sides and balancing was being done only at the end of the month and never in the middle, except on the 20th December 24 for the Statutory Report. The circumstances under which, this rule was broken on the 8th September 25 and the totals and closing balance corrected and recorrected three or four times and finally scored out are not understood.

69. The source from which the transactions from 21st to 31st January 25 were copied is not also understood.

70. Another important point noticed is that in page 149 of the same rough cash book, there is the certificate of the Chairman Mr. A. J. Ram, that he checked the cash balance on the 12th March 1926 and found it correct., *Viz.*, Rs. 16 (Rupees sixteen only) which agrees with the book balance. There have been mistakes in totalling and balancing in the cash book on the 5th, 9th and 11th March 1926, amounting to Rs. 2 7-0 in all, but for which the actual balance on the 12th March 26 ought to have been Rs. 13-9-0 only. If as a matter of fact Rs. 16 had actually been produced at the time of inspection by the Chairman, the only circumstances under which this could have been possible are:—

(1) that either certain credits, amounting to Rs. 2-7-0 or more, have been omitted to be brought to the cash book.

or (2) that Rs. 16 corresponding with the balance shown in the cash book was produced at the time of inspection.

or (3) that the certificate of the Chairman as recorded in the cash book is **not true.**

Which of these alternatives is the case it is not possible to say.

71. If instead of Rs. 16, Rs. 13-9 0 only had been adopted as the opening balance on 13—3—26, the closing balance on 15—4—26, which Mr. Sundara Row handed over to Mr. Mudaliar. ought to have been a ***minus*** balance of Rs. 2-2-7, instead of a plus balance

Fair Cash book.

72. Though the fair cash book is supposed to be a copy of the rough, it was not written from day to day, but copied only at a stretch; nor is it a faithful or correct copy thereof, as may be seen from the fact that credits of. 0-15-6 (annas fifteen and pies six) and 0-13-8 (annas thirteen and pies eight) appearing in the rough cash book as received from the Dairy on 26—2—26 and 2—3—26 (and this is supported by corresponding debits in the Dairy cash book) have been copied into the fair cash book as Rs. 15-6-0 (Rupees fifteen and annas six) and Rs. 13-8-0 (Rupees thirteen and annas eight) respectively, increasing the cash balance by Rs. 27-0-10. As such mistakes necessarily affect the cash balance and the incorrect figures only have been taken into the fair cash book on the basis of which, the several balance sheets have been prepared, it is a question for consideration whether such balance sheets exhibit a true and correct view of the state of, the Company's affairs and how far they can be relied on.

73 The fair cash book commences from 16—5—24, and instead of commencing from receipt No. 1, the first entry on the receipt side is No. 47, while receipts 1, 2 and 3 appear in the cash book on the 19th, 22nd and 23rd May 1924, respectively. The order in which the receipt side of the cash book for May 24 is posted is shown below:—

Month and date		Particulars	Receipt No. and date		Amount.		
			No.	Date			
May 1924	16	B. N. Iyengar ...	47	10—7—24	200	0	0
	...	A. G. Ram ...	10 & 48	24—6—24 10—7—24	200	0	0
	...	C. Krishnamoorthy Sastry ...	11	24—6—24	200	0	0
	...	N. Krishnaswamy Row ...	12	24—6—24	200	0	0
	...	K. Ramanna ...	49	10—7—24	200	0	0
	...	V. K. Lakshmana Mudaliar ...	13 & 50	24—6—24 10—7—24	200	0	0
	...	S. Sundara Row ...	51	10—7—24	200	0	0
	...	T. N. L. Chetty ...	52	10—7—24	50	0	0
	...	M. Subba Row ...	14	24—6—24	10	0	0
	19	K. N. Veerabadra Setty ...	1	24—6—24	2	0	0
	22	M. N. Naganna ...	2	do	20	0	0
	23	M. Venkatakrishniah ...	3	do	2	0	0
		Total ...			1,484	0	0

74. A few more instances of the order in which the receipts are entered in cash book are given below :—

1226 to 1230 credited on 24—2—25
1231 ... ... 21—2—25
1233 ... ... 3—2—25
1237 ... ... 20—2—25
1240 ... ... 3—2—25
1301—13 ... ... 28—2—25
1314 ... ... 30—1—25
1315 ... ... 10—3—25
1316—25 ... ... 28—2—25
1501—4 ... ... April 25
1503—17 ... ... From 6—3—25 to 30—3—25

Moreover there are several entries in the cash book without any reference to the receipt number or voucher.

75. From the above it will be seen that the receipts are not entered in consecutive order; it is not therefore possible to say if all the receipts have been brought to the cash book or not.

76. The circumstances under which receipts of 24—6—24 and 10—7—24 are credited in the cash book on 16—5—24 are not understood. Though receipts 1, 2 and 3 were also issued on 24th June 1924, still the amounts thereof are shown in the receipts as having been received on the 19th, 22nd and 23rd May respectively, as also shown in the cash book. The only inference that could be drawn is that with a view to enable the Directors to make the first allotment on the 10th July 24, on which date 1192 shares were allotted, these receipts were passed, though, as a matter of fact, no cash seems to have been received, as subsequent events show. But for items 1 to 8 amounting to Rs. 1,450 and representing the value of 375 shares, the number of shares subscribed for till the 10th July 24 should have been 817 only, and the allotment made on that date was irregular, the minimum number of shares required for allotment being 1,000.

77. In this connection it has to be stated that the receipts and payments) end of 27—7—24, were Rs. 4,346—9—0 and Rs. 2,401—3—6 respectively, aving a balance of Rs. 1,945—5—6 on hand at the close of the day, and yet a heque has been drawn for Rs. 150 on the City Co-operative Bank on 28—7—24, or office expenses. Another cheque for Rs. 236 was drawn on the following day, hen also the cash balance on hand, as per cash book, was Rs. 2,122—1—6. nother noticeable point in this transaction is that the balance in the City Co-perative Bank was Rs. 230 only, and Rs. 6 was an overdrawal; and though the ook balance was Rs. 2,046 and odd on 1—8—24, the managing agents were able o remit Rs 10 (Rupees ten only) to the Bank, to adjust the overdraft.

78. It is further noticeable that Rs. 30 paid to Mr. H. G. Linganna on 7—9—24 and Rs. 10 paid to Mr. Krishnamoorthy Sastry on 25th October 24 ere partly by cash and partly by cheque. Another cheque for Rs. 8 was drawn on 11—11—24 to meet advertisement charges, of which Rs. 7 was paid on the 12th and Re. 1 on the 13th idem. All these clearly show that the actual cash on hand was not enough to meet even petty demands, even though the book balance on the respective days exceeded Rs. 1,500 in each case. The only inference to be drawn is that the balance shown in the cash book did not really exist, and it is only to wipe off this huge deficit that more or less fictitious entries, unsupported by proper vouchers, were made on the 20th December 24.

79. In this connection, it will not be out of place to mention here that for purpose of the statutory report, the cash book for the 20th December 24 was first closed with voucher No. 602; voucher Nos. 603 to 611 aggregating Rs. 144-4-0 have been subsequently added with the following remark.

"Amounts mentioned in voucher Nos. 603 to 611, both inclusive, were omitted on the respective dates mentioned against each."

80. The entries are :—

	Vr. No.	Amount.
Managing Agent's allowance account.		
V. K. L. Mudaliar (14—10—24 Rs. 50 and 28—10—24) Rs. 10 ...	603	60 0 0
K. Ramanna (paid 20—10—24) ...	604	25 0 0
Sitting Charges account.		
V. K. L. Mudaliar (paid 20—10—24) ...	605	20 0 0
Legal Charges account.		
B. N. Iyengar (paid on 17—10—24) ...	606	6 0 0
Contingency account.		
Bhagavan Chetty & Co., (paid on 24—10—24) ...	607	1 10 0
Advertisement charges paid (1—7—24) ...	608	12 4 0
Commission on Shares account.		
P. Subrahmanyyah (paid (1—10—24) ...	609	8 4 0
Live Stock account.		
P. Subramanyyiah (24—10—24) ...	610	1 4 0
Contingency account.		
Jem Institute (paid 31—8—24) ...	611	9 14 0
		144 4 0

81. None of the above items appears in any of the rough cash books. Whence these were taken and posted to the fair cash book is not known.

82. With these additional entries on the expenditure side and some items on the receipt side also; the cash balance at the close of the day (20—12—24) was Rs. 1,645-6-11. So to reduce this cash balance, the following further additions aggregating Rs. 1,432-11-5 have been made on the debit side, without any voucher No. quoted against each item, the effect of which being that the cash balance on 20—12—24 was reduced from Rs. 1,645-6-11 to Rs. 212-11-6 and which is the figure adopted for the statutory report.

"Contingency account.		
M. O. Commission ...		0 10 0
Stationary account.		
Heeraji Tharachand paid in advance on 20—7—24 but omitted to be taken to account ...		29 12 0

Contingency account.				
Live Stock Certificate embossing	...	36	4	0
(The amount paid on 16—9—24 but omitted to be taken into account).				
Preliminary expenses account	...	160	12	0
Mr. V. K. Lakshmana Mudaliar's account	...	1 205	5	5
		1,432	11	5

"The above two amounts were given on but vouchers received to day."

And Mr. Sundara Row, the office managing agent has attested both sides of the cash book.

83. From the correspondence that passed between Messrs. Sundara Row and Mudaliar and the Board of Directors (**copies enclosed**), (vide App. F) it will be seen that each party wants to throw the blame on the other. The only voucher available for the above debits is that of Mr, Mudaliar acknowledging receipt of Rs. 1,366-1-5 towards preliminary expenses account, worded as follows:—

"Received from the managing agents, the Mysore Agricultural Dairy Farm Co., in Mysore, the sum of Rs. 1,366-1-5 (Rupees one thousand three hundred and sixty six, anna one and pies five only)towards preliminary expenses account, for which no receipt has been passed by me."

20—12—24. Sd. V. K. Lakshmana Mudaliar.

84. It has also to be stated that in addition to the above, another sum of Rs. 1,554-6-0 has also been drawn and included in Rs 1,715-2-0 debited to "Preliminary expenses account" (vide statutory report).

85. Another serious irregularity was committed by Messrs. V. K. Lakshmana Mudaliar and B. Narasimhiengar just before or on the day of the statutory meeting and that is explained below.

86. Under art. 85 of the Articles of Association as it then existed no member was entitled to be present or to vote on any question, either personally or by proxy, or as proxy for another member, at any general meeting or upon a poll whilst any call or other sum was due and payable to the Company, in respect of any of the shares of such member.

In this connection it has to be stated that the rule is curious enough, that it disentitled a member even from attending the general meeting, though the corresponding art. 63 of the 1st schedule appended to the Companies Regulation allows the member to be present but not to vote. This rule has, however, been since changed consistent with the Regulation.

87. The first call of Rs. 100 due on the 50 shares held by Messrs. V. K. Lakshmana Mudaliar and B Narasimha Iyengar had not been paid till the 12th January 25, the date of the statutory meeting, and to make themselves eligible to attend the meeting the following amounts were unauthorisedly drawn by them as advances to adjust the same.

Mr. V. K. L. Mudaliar, advance of seniorage Commission Rs. 75.

Mr. B. Narasimha Iyengar, advance of legal charges Rs. 70.

88. The action of these Directors in drawing such unauthorised advances was highly objectionable.

Dairy.

89. This department was under Mr. Ramanna, a Director and one of the partners of the firm of Messrs. V. K. Lakshmana Mudaliar & Co., from the commencement, upto 18th November 25, the date of his resignation. Besides the Indian and English Dairies attached to the Head Office, Depots had been opened at Hole Narsipur, Chennarayapatna, Kyathanahalli, Kumbarakoppal and Bangalore. But all of them proved a failure, mainly thro' mismanagement. Owing to

the utter indifference on the part of the chief managing agent in not promptly adjusting the accounts, all the Dairies were closed with heavy balances outstanding against them, as shown below: —

			Rs.	A.	P.
Hole-Narsipur Dairy	...	...	423	0	6
Chennarayapatna	...	...	171	9	4
Kumbarkoppal	...	...	269	15	11
Kyathanahalli	...	...	328	12	5
			1,193	6	2

90. This amount was outstanding on 31st March 1927 and no action is being taken to adjust the same; nor is there any chance of their adjustment at all.

91. With a view to verify these balances, the file relating to the Chennarayapatna Depot was examined. It so happened that the late Dairy Depot manager was also at Mysore at the time of investigation and he represented that more than five hundred rupees was due to him from the company, besides Rs. 200 furnished as Security Deposit.

92. As per statement of account sent to the Dairy Depot Manager (C. S. Srikantiah) on 21—10—25 by the managing agents, the balance shown against him was Rs. 23—5—4, as detailed below:

				Rs.	A.	P.
Total quantity of milk purchased 1228 $\frac{1}{16}$ seers			...	307	0	0
Establishment charges on 154¼ seers of cream received i.e., 17 days at Rs. 2-8-0 per day			...	42	8	0
Railway charges paid			...	5	0	0
		Total	...	354	8	0
Cash paid from time to time as advances	...	276 0 0				
Add Skimmed milk charges	...	134 2 10				
				410	2	10
Deduct expenses as shown a	...		...	354	8	0
		Balance	...	55	10	10
Items provisionally accepted, for which the D. D. Manager was asked to produce vouchers			...	32	5	6
Balance due "after giving all deductions this amount will be due from the Dairy Depot manager to the company"			...	23	5	4

93. To this has to be added the further advance of Rs. 100 made to him 12—25. It will thus be seen that a balance of Rs. 123-5-4 only was due o the company, while the Ledger and the Balance Sheet as on 31st Decemd 31st March 27 show Rs. 171-9-4. How far the ledger figure can be , it is not possible to say.

93(A). With his letter dated 27 – 12—25, the Dairy Depot Manager has d a detailed statement of account, claiming Rs. 116-12-6 for milk supplied nd of December 25, in addition to his establishment pay amounting to and add and this letter is referred to K. Mudaliar for putting up previous s and no further action is taken: and yet it is nothing short of high hand-n the part of the company to have forfeited his Security Deposit of Rs. 200 for no fault of his, and without notice to the party, on the allegation that he did not act up to the terms of his agreement, while the balance of Rs. 171-9-4 is still shown as outstanding against him. On enquiry, it is learnt that the poor man lost about six hundred Rupees in this business and is now devoid of any means.

Dairy Accounts.

95. In the Audit notes of Mr. Easwariah, reference is made to one katcha cash-book to end of August 25, in addition to the fair cash-book. But during the present investigation, two more rough books were found.

96. The first rough cash-book is from 23rd January 25 to 31st August 25, closing with a cash balance of Rs. 113-5-0. This book is attested by Mr K. Ramanna, Dairy manager, daily from begining to end, and this is the book produced before Mr. Easwariah for audit, as may be seen from his initials at the end.

97. The second rough book consists of two parts, one side containing the transactions from 1st July to 31st August 25, which are also embodied in rough cash book No 1: the other side commences from 1—9—25 and contains transactions to end of October 25, with neither totals nor balances at the end of each day, nor does it bear signs of having been checked by anybody.

98. The third rough cash-book is from 1st November 1925 to 13—3—26. This book opens with a cash balance of Rs. 2-6-9, but the source from which this is carried forward is not known. Daily cash balance is worked up to 21—11—25 on which date a balance of Rs. 5-2-8 is shown. Including Re. 1-7-0, cash sales of 22—11—25, the total amount available was Rs. 6-9-8. But the total payments for the day are shown as Rs. 7-6-6, or 0-12-10 in excess. Wherefrom this excess payment was made is not known: and from this date onwards, daily totalling and balancing have been discontinued. This book also seems to have been placed before Mr. Easwariah who has signed at the end of 30th November 25, under date 8—4—26. This book is further initialled by Mr. Sundara Row at the bottom of every page from pages 24 to 50, under date 16—4—26, the date of his handing over charge to Mr. Mudaliar.

99. So, there were rough cash books from the beginning to end, but the circumstances under which rough cash book No. 2 was not placed before Mr. Easwariah are not known.

100. The fair cash book has been written at a stretch and lots of differences exist between the rough and the fair and the reasons therefor are not also clear. A few instances are noted below for information.

21—9—25. Amount paid to Mr. V. K. L. Mudaliar for payment to Kumbarkoppal Dairy Manager.

As per rough cash book Rs. 3-13-11
As per fair cash book Rs. 30-3-11

101. In the rough cash books, all sorts of unauthorised and objectionable items of expenditure, such as, utilisation of company's funds for private purposes are included, while in the fair, they are omitted and consequently included under cash balance, though cash was not there: *e.g.*, between the 31st August and 30th October 25, debits aggregating Rs. 173-9-3, as detailed in the annexed statement (App. G.) appear in the rough cash book as amounts paid to Mr. V. K. L. Mudaliar and others as shown below, but these have been omitted in the fair.

	Rs.	A.	P.
Mr. V. K. L. Mudaliar	160	13	0
„ Ramanna	5	2	9
„ Arunachalliah	2	4	0
„ R. K. Naidu	2	0	0
„ C. K. Sastry	1	0	0
Coffee, tiffin &c.,	2	5	6
	173	9	3

102. The above are only a few instances that are quoted here, simply to show how company's funds were recklessly squandered for the private expenses of the managing agents and staff and which have been carefully omitted in the fair cash book and included under cash balance to escape detection. It is such objectionable items that have contributed to the difference of Rs. 641 12-11 and

Rs. 648-9-8 shown as cash balance on the 31st October and 31st December 1925 respectively, and evidently not recouped or adjusted.

103 The fair cash book is full of scorings and erasures, some of them leading to misappropriation and falsification of accounts. When first checked by Mr. Easwariah the Company's Auditor, this cash book, it is stated, did not contain the credit of Rs. 68 9-3 said to have been paid by Mr. R. K. Naidu on the 25th September 1925, towards his dairy dues. Sometime later, one whole line in the cash book is completely erased and Rs. 68-9-3 introduced in its place, as received from Mr. R K. Naidu, as per Receipt No. 94 and the entry is initialled by Mr. A. J. Ram. But the counterfoils of the receipt book containing this No is not forthcoming. But in the rough cash book relating to this period there is the credit of Rs. 68-9-3 on this date (25-9-25), in red ink.

104. The explanation of Mr. Arunachalliah, Dairy assistant, as given in his statement as follows :

"On the strength of the letter of authority given by Mr. R. K. Naidu, Managing Agent, Mr. K. R. asked me to pass a receipt for Rs. 68-9-3 and the same has been intimated to the Head Office for recovery. As the amount was not received by me that day, and as a mark, it has been written in red ink. I do not know whether it has been adjusted or not. The receipt book of 100 pages which contains No. 94 receipt was submitted for audit and it must be in the office. As I was not the man who wrote the fair cash book, I cannot say why it has been scraped out."

105. In this connection, it has to be stated that on the same day, another item of Rs. 2 is credited in the same rough cash book, as advance received for milk supply, but the name of the party from whom it was received is not given. It may be that this credit has been erased from the cash book and Rs. 68-9-3 inserted in its place, as received from Mr R. K Naidu, as the party raised a hubbub and reported the matter, at the same time, to the Chairman of the Board. But in the adjustment memo dated 27th March 1927 given by Mr. Mudaliar, reference is made to a book adjustment of this item for transfer credit to the Dairy, to be effected on the strength of the letter of authority given by Mr. Naidu. If, as a matter of fact, cash had been paid on 25—9—25, as alleged, the necessity for this adjustment is not understood. Mr. Arunachalliah's statement referred to in the last para, also supports Mr. Mudaliar's adjustment memo. It is thus clear that no cash payment was made. Any how, the matter is not free from suspicion.

106. No stock account was maintained for the Dairy products.

107. Three important anomalies noticed in the Dairy accounts at the Meeting of the Board of Directors are :—

(1) Cash deficit of Rs. 641 and odd.

(2) Balance of 1136 seers of milk on the date of closing the Dairy, remaining unaccounted for.

(3) Difference between katcha and pakka cash books.

108. As regards the cash deficit of Rs. 641 and odd the remarks of Mr. Easwariah are noted below :—

"On requesting the Dairy Managing Agent to produce cash for inspection, as on the day of ceasing to be such agent, the Dairy Managing Agent instead of producing cash, has given me a memo, a "memo of Explanation".

"With reference to the chief organiser's memo to me in September 1925, stating that, as per the request of Mr. S. Sundara Row, office managing agent, that I should give the power of the Dairy branch, as per letter, from 4th October 25, I ceased to have any control over Dairy branch, which Mr. Sundara Row resumed.

"From October 4th I never handled cash. From my experience, the difference that exists in cash is all due to the handling of cash by my other partners of the firm, who used to take a receipt from me and never sent a corresponding

voucher to me. Therefore unless I make a thorough investigation in the matter I shall not be in a position to justify the present cash difference for which it requires some time."

"P.S. The cash balance on 3rd october 25 was with Arunachalliah Dairy assistant."

109. Mr. Easwariah's concluding remarks on 10th May 26 are as follows :—

"In the above circumstances, I could not verify the same. The cash balance on 3rd October 25, amounts to more than Rs. 900 including the omissions but entered as on 31—10—25 on 21—3—26 and 15—4—26. It seems Mr. Ramanna was in charge of office until 19th November 25, on which date his resignation was accepted, and the cash balance was given to Mr. Sundara Row. Hence cash balance on 18th evening (18—11—25) ought to be Rs. 641-12-11 + 99-8-1 difference between receipts and payments = Rs. 741-5-0 (Rupees seven hundred and forty one and annas five only). This balance includes the omissions entered on pages 126 128 and 130."

110. Though so much hubbub was raised by the auditor about this cash balance and though all the Directors knew full well that the cash balance on the date of the resignation of Mr. Ramanna was not handed over by him either to Mr. Sundara Row who relieved him or to Mr. V. K. L. Mudaliar, the senior partner of the firm of V. K. Lakshmana Mudaliar & Co., no action was taken to investigate the loss of the amount. When signing the balance sheets for 31st October 25 and 31st December 25, whether audited or not, the Directors were fully aware of their responsibility as to the correctness of the balance sheets signed by them and they knew also full well that the amounts of Rs. 641-12-11 and Rs. 648-9-8 shown therein as balance in the Dairy did not really exist and yet not a word of its absence has been said in the Directors' report.

111. In para 48 of Mr. A. Narasimha Moorthy's report, reference is made to the balance of Rs. 648-9-8 as cash on hand in the Dairy on 31—12—19'5 but the remarks of Mr. Easwariah made in the Dairy cash book do not seem to have attracted his attention, as his audit report is silent on the point.

112. It may, however, be stated that this question was raised at the General Meeting held on 3—10—1926 (adjourned meeting), where it was resolved that the matter be referred to the Special Committee appointed by the share holders on 30—9—26 for investigation and report

113. Two important irregularities noticed by Mr. Sundara Row in his inspection report are

(1) Non-maintenance of a proper stock account for the Dairy products

(2) The unauthorised appropriation of Rs. 400 by Mr. V. K. L. Mudaliar for his own use.

114. From the cash books of the Head Office, as well as of the Dairy, it is seen that a sum of Rs. 400 (Rupees four hundred only) was obtained from the Head Office ostensibly for Dairy operations, on 4th May 1925 and the same was paid to Mr. Mudaliar in small lots on the 6th; 9th and 15th idem, which, as Mr. Sundara Row calls it, is pure **"misapplication, if not misappropriation"**. A copy of Mr. Sundara Row's report has already been submitted to the Registrar of Joint Stock Companies, with Managing Director's letter No 1454 dated 2—5—1927.

115. Another matter of no less importance is, that on the 4th December 1925, Messrs V. K. L. Mudaliar and Sundara Row borrowed from one Kotumal Ramachand, a Marwari Banker, Rs. 1,000 (Rupees one thousand only) on an on demand Pronote at usurious rate of interest of Re 1-8-0 per cent per mensem, ostensibly for Dairy operations and as per details of distribution given in the slip attached to the rough cash book, Rs. 100 and Rs 50 shown as paid to Mr. A. J. Ram and Soopindas, respectively, have been debited to the Head Office in the Dairy accounts : but there is no corresponding credit in the Head Office accounts,

nor are vouchers forthcoming in support of the debit. How the amount was disposed of is not understood. Mr Ramanna having resigned, Mr. Sundara Row was in charge of the Dairy, and consequently he and Mr. V. K. L. Mudaliar are responsible for the amount in question.

Audit Reports.—

116. In para 4 (8) of Mr. Narasimha Moorthy's first audit report dated 30th September 26, it is remarked as follows: —

At the end of October 1925, the book balance comes to Rs. 39-9-3 (as per details of that month), but it is put down as Rs. 45-9-3".

117. This statement does not appear to be correct; the balance as worked out in the cash-book, viz., Rs. 45-9-3 is correct, as shown below :—

		Receipts			Payments		
Opening balance on 1—10—25	...	6	2	10			
Total 1st page	...	851	1	9	834	12	6
Total 2nd page	...	2,046	8	0	1,971	8	0
Total 3rd page	...	686	4	10	738	3	8
Total	...	3,550	1	9	3,544	8	2
Closing Balance	...				45	9	3
	...	3,590	1	5	3,590	1	5

118. On the authority of the above statement the office has adjusted the supposed difference of Rs. 6 by debit to "suspense" and the amount is still outstanding under that head. The erroneous adjustment will therefore have to be reversed.

2nd Audit Report.—

119. The more important items, noticed in the 2nd audit report and deserving of mention are :—

(1) "Journal Vr. No. 57 for Rs. 153 paid to Kristna District Agent as remuneration, not forthcoming."

(2) "Pucka receipts Nos. 3142 to 3315, from 5—4—26 to 12—4—26 for Rs. 877-12-0, for Live Stock premium and application fee, issued by the managing agents. This amount is not traceable in the cash-book. Counterfoils of receipts are not even initialled by anybody."

(3) "Similarly pucka receipts Nos. 2,970 to 3001 for Rs. 46-8-0, credit of which is not traceable in the cash-book."

The above three items are stated to have been debited to Messrs. V. K. L. Mudaliar & Co's. account.

120. As regards the first item of Rs. 153 it has to be stated that it is a payment made to the Kristna Dt. agent for appointing 17 sub-agents. The amount was paid by cheque No. 007853, dated 24—3—27, on the District Co-operative Bank, Guntur, and as shown in the adjustment voucher No. 57, the debit head is "remuneration to agents", and the amount has been debited to the proper head only and not to the managing agents' firm.

121. The third item of Rs. 46-8-0 has been traced in the course of the present investigation and is outstanding under "suspense." The erroneous debit to the Firm's account will therefore have to be withdrawn.

122. As regards the 2nd item of Rs. 877-12-0, it has to be stated that so long as pucka receipts have been issued, the amounts must have come to the cash book, and probably credited under "suspense" for want of detailed information. Unless the balance under "suspense" amounting to Rs. 3,977-9-10, outstanding on 31st March 27, is completely analysed, it cannot be said definitely whether the amount has been credited or not. No action is being taken to analyse this amount and it is not known whether it will ever be adjusted at all.

123. The other irregularities noticed are :—

(1) Short cash to the extent of Rs. 929-5-8.

(2) Company's property to the extent of Rs. 245-6-7 to be accounted for.

(3) Disallowed items of expenditure and deficit of Dairy cash to the extent of Rs. 202-10-9.

(4) Rs. 85 withdrawn from the Banks and remaining unaccounted for.

(5) Rs. 589-11-6 paid by the Head Office, but not credited in the Dairy accounts.

(6) From paras 3 (3) and 4(b), it is seen that payment vouchers amounting to Rs. 36-9-0 and Rs. 33-7-11 were in the files of paid vouchers of the Head Office and Dairy respectively, but the payments thereof were not traceable in the cash-books. The source from which these payments were made is not understood.

(7) Similarly, in para 4(a) it is stated that Hakim Mahomed Gouse paid Rs. 5 on 16—3—26 and that the same has not been brought to the cash-book.

124. Besides the above, the present investigation has brought to light that sums aggregating Rs 137-11-2 received by the managing agents and officers of the Company at Head-quarters and for which receipts have been passed by them have not been brought to the cash-book. A list of the items is attached (vide appendix H.)

			Rs.	A.	P.
Mr. V. K. Lakshmana Mudaliar	...	....	67	0	2
Mr. K. Ramanna	...	...	65	4	0
Mr. Arunachalliah	...	...	5	7	0
		...	137	11	2

125. Another item, similarly not brought to account is the amount of Mysore Bank cheque No. B. 616881, dated 19—10—25, issued in favor of C. Raghunatha Row (office attender) for Rs. 50. This amount together with another cash payment of Rs 90 is charged in the Head Office cash-book (fair) on 19—10—25, as voucher No. 1365. But this voucher is for Rs. 90 only, and this is supported by the entries in the rough cash-book of the Head Office as also the cash-books of the Dairy; and consequently the auditor also has placed this item of Rs. 50 under objection, for want of voucher.

126. From a reference to the counterfoil, it is seen that this cheque is issued in lieu of cheque No. 616880 of the 16th idem, drawn in favor of Soopindas Hassan Chand, but subsequently cancelled. The Dairy protesting against this excess debit, the same was withdrawn from the Dairy and kept under **suspense and it is still outstanding under that head unadjusted**—

127. No information is forthcoming for payment of this amount to anybody on Company's account, nor is the amount credited to the cash-book as amount withdrawn from the Bank. Evidently the amount has been left out of account and Mr. V. K. L. Mudaliar, the drawer of the cheque is responsible for the same.

128. In addition to the above, Rs. 132-6-0 and Rs. 33-0-0 realised from the Government House and Palace Stables respectively for Dairy products supplied to them, have been acknowledged by Mr. Arunachalliah, the Dairy Assistant, but not brought to the cash-book.

129. Against Rs. 132-6-0 actually realised from the Government House, and not brought to the cash book, Rs. 122-12-10 only was outstanding in the ledger; and on receipt of a communication from the Government House, that all the bills of the Dairy had been paid and nothing more was due, the amount has been debited to the managing agent's account. In the case of the Palace Stables and

Hassan Abbas Sait, Rs. 33-0-0 and Rs. 5-7-0 though recovered from them and acknowledged by Arunachalliah are still outstanding in the Dairy accounts.

130. It will thus be seen that the total amount to be accounted for is Rs. 503-1-2, including the sum of Rs. 150 referred to in para 115 above referred to.

		Rs.	A.	P.
Mr. V. K. L. Mudaliar ...	...	117	0	2
Messrs. V. K. L. Mudaliar and Sundara Row (amount debited to H. O. by the Dairy but not credited in the H. O. accounts)	...	150	0	0
Mr. K. Ramanna ...	...	65	4	0
Mr. Arunachalliah ...	...	170	13	0
		503	1	2

131. The sum of Rs. 65-4-0 shown against Mr. Ramanna includes also [illegible] remittance of Rs. 35 received by Insured post and acknowledged by Mr. Ramanna, but not brought to the cash-book. A copy of Mr. Ramanna's explanation on this point is attached (vide App. J).

Balance Sheets.

132. As regards the accuracy of the Balance sheets, it has to be stated that some of the figures shown therein are not quite correct.

133. The first balance sheet presented to the share-holders is the **unaudited** Balance Sheet for 31st October 25, which the Directors themselves said they could not certify as to its correctness. But this is only a consolidated copy of Messrs. Sundara Row's and Ramanna's manuscript Balance sheets, which too are not audited.

134. The following differences are noticed between these Balance Sheets and Ledger.

L. Folio	Assets	As per Balance Sheet	As per Ledger	Difference: Ledger More	Difference: Ledger Less
133	Loans ...	3,102 8 0	4,477 8 0	1,375 0 0	...
241					
246	V. K. L. Mudaliar ...	2,458 9 0	1,318 9 0	...	1,140 0 0
248	S. N. L. Chetty ...	307 8 0	167 8 0	...	140 0 0
242	H. Nanjunda Row ...	20 0 0	...	...	20 0 0
243	K. Ramanna ...	75 0 0	...	...	75 0 0

How the figures of the Balance Sheet were arrived at is not known.

135. The balance on hand on 31st October 25 in the printed, as well as in Mr. Sundara Row's typed Balance Sheet, is Rs. 48— 9—3
as per fair cash book " 45— 9—3
as per rough cash book " 30—12—3
and all the three are signed by Mr. Sundara Row office managing agent. And when these anomalies were pointed out to him he has replied to say that Rs. 45 9-3 ought to be the correct figure. It is on the basis of this figure that the cash balance of Rs. 15-2-4 shown in the Balance Sheet for 31st December 25 was arrived at in the fair cash book, while as per rough it is Nil.

136. How this difference of Rs. 15-2-1 between the rough and fair cash books was arrived at is explained below :—

Date	Particulars	Rs.	A.	P.	Rs.	A.	P.
1— 9—25	Difference in Opening balance	2	14	1	...		
21— 9—25	Short debit in Fair Cash Book	1	6	0	...		
2—10—25	Debit in rough cash book omitted in fair—Mr. Vaze Hand loan	10	0	0	...		
12—10—25	Short debit in fair cash book on account of advance of salary to Nanjunda Row	3	0	0	...		
November 25	Net debit of English Dairy transactions in November 25 not appearing in rough	...			1	4	9
31—10—25	Do do. October 25 ...	...			2	7	0
19—12—25	Amount paid to Arunachelliah, appearing in rough but omitted in fair	2	0	0	...		
28—12—25	Short credit in fair cash book *i.e.*, Rs. 179-13-0 only credited instead of Rs. 180-3-0	...			0	6	0
	Total ...	19	4	1	4	1	9

Net Difference Rs. 15-2-4.

Balance Sheet for 31st December 1925.

137. This Balance Sheet follows the figures of the Balance Sheet for 31st October 25. Instead of basing the Balance Sheet figures on the ledger, the ledger figures have been made to correspond with the Balance Sheet. Not being able to trace out the differences, under personal accounts, referred to in the previous paragraph, a Journal entry is passed on 31—12—25, debiting personal accounts and crediting suspense. These were however readjusted in the accounts for March 27.

138. As has been observed in Mr. Narasimha Moorthy's audit report, the gures under Sundry debtors and Sundry creditors in the Dairy did not agree with he ledger figures and all the differences between the ledger and the Balance Sheet vere kept under suspense, by opening new ledger heads called " sundry creditors " nd " sundry debtors " without further details. These differences were subsequently raced and adjusted in the accounts for March 1927.

139. Before proceeding to the examination of the details of the several tems of the Balance Sheets, it is desirable that the apparent anomalies, existing etween the Balance Sheets for 31st October and 31st December 25 are first xplained.

140. From a comparison of the two sets of figures, it is seen that the net oss on 31st October 25 and 31st December 25 is put down as Rs 22,673-10-1 and Rs. 10,291-3-6 respectively. This does not mean that the situation was in any way eased in the next two months and that the Company had made a net profit of Rs. 12,382-6-7, so as to bring down the net loss to Rs. 10,291-3-6.

141. As explained by the managing agents themselves, the decrease is due o the misplacements of certain items of receipts and expenditure in the first Balance Sheet and Profit and Loss account and which have been rectified in the econd, as shown below:—

(1) **Addition to receipts.**

		Rs.	A.	P.	Rs.	A.	P.
(1)	Premium on L. S. Registration ...	6,877	5	0			
(2)	Certificate fee on do ...	231	4	0			
					7,108	9	0

(2) **Reduction under expenditure.**

(1)	Printed Literature and Stationary ...	2,377	12	3			
(2)	Appointing charges ...	4,666	8	0			
(3)	Depreciation ...	565	11	11			
					7,610	0	2
	Total ...				14,718	9	2
	Add net loss as shown in the B. S. for December 1925.				10,291	3	6
	Total ...				25,009	12	8

142. If the procedure adopted in the Balance-sheet for 31st October 25, had been followed, the net loss at the end of December 25 would have been Rs. 25,009-12-8 instead of Rs. 10,291 3-6, the method of classification adopted in the two cases being different, as explained below:—

(1) The receipts under Live Stock premiums and L S certificate fees shown under liabilities in the first, amounting to Rs. 7,108-9 0 have been taken to the profit and loss account in the second.

In this connection reference is invited to the Form G appended to the First Schedule of the Govt. of India Insurance Act of 1912, viz, General Revenue account, applicable to **all classes of business other than Life Assurance** and annuity transactions; according to this form, all premiums are treated as income, and expenses of management, &c. met therefrom, as in the case of Life Assurances. So in the absence of any special ruling on the subject and more especially when the Actuary himself who was consulted in the matter cannot give a definite opinion, on the score that it is a question of accounts, it seems but reasonable that these receipts should be taken to the profit and loss account as profit and not as a liability, for there is no other source of income from which the expenses of management &c., can be met.

143. There is, however, one thing to be said in this connection. Under Rule 5(A) of the English Prospectus, the Company has to set apart a certain amount out of the total collections of subscriptions in each year, towards "Premia Reserve Fund." The amount set apart to end of March 27 is Rs. 36 (Rupees thirty six only), which is very little, considering the volume of business turned out in the Live Stock Branch. It is desirable, in the interest of the Policyholders, that a certain fixed percentage of the first year's premium also is transferred to this head every year, as a sort of reserve.

143 (A). As regards the transfer of Rs. 2,377 and odd, under stationery and printed literature from the Profit and Loss Account, to the Balance Sheet as an asset, the explanation of the managing agents may be accepted (vide also paras 174-176).

143 (B). As regards the deduction of Rs. 4,666-8-0 under Security Deposits, it has to be stated that the deduction under liabilities before formal forfeitures are effected under a resolution of the Board does not appear to be quite correct. These charges also are of the nature of initial expenses and, as in the case of Preliminary expenses and commission to agents, will have to be wiped off gradually or as soon as forfeitures are effected, if earliar. Whether there be forfeitures or not, the Chief Agents are entitled to the appointing charges as soon as the appointments of District Agents are made. There may be cases in which there will be no forfeitures and yet the appointing charges will have to be paid. But to consider that the Security Deposit is intended ONLY to be forfeited, to be divided equally between the Chief Agents and the Company as appointing charges and forfeitures respectively, is not correct. The proper way to exhibit this item of expenditure was to treat it as an asset in the first instance to be wiped off gradually.

144. So instead of deduction from Security Deposit, the amount should have been shown on the other side of the Balance Sheet as an item adjustable and the deposit balance shown in full as a liability. But whether shown as a deduction from liability or as a distinct entry under assets, the net result will be the same, as the Profit and Loss Account will not be affected thereby.

145. The last item is "Depreciation charges" allowed in the accounts for October 25, but omitted in the Balance-Sheet for March 25. The Company having been started in the early part of 924, it was more than 1½ years old. Ordinarily, the debit balances under "Preliminary expenses" and "Commission on shares" are written off to revenue, over a short period of 3 to 5 years and the depreciation on furniture in 10 years. But as no hard and fast rule exists on these points and as the amount involved, viz., Rs 565 and odd is not much, it may be neglected.

145 (A). It may however be stated, that adjustments on account of forfeitures of Security Deposits and depreciation though at low rates have been effected in the accounts for March 27. The appointing charges also have been shown correctly in the Profit and Loss Account. (*i.e.* in March 27).

Assets.	31—12—1925	31—3—1927
1. Landed Property	2,504 2 0	2,804 2 0

146. The above figures shown under "Land" are not correct, as may be seen from the fact that against Rs. 5,000 originally settled and for which the sale deed also was executed and subsequently reduced, payments to the extent of Rs. 4,700 have been made to Mrs. Kenchiah, as detailed below :—

Date	Cash	Pronotes	Adjustment	Total
9— 6—25	300	700	2,000	3,000
28—10—25	350	1,350	...	1,700
Total ...	650	2,050	2,000	4,700

147. Rs. 300 paid on 5—12—25, being part payment towards the 2nd pronote, has not been included in the above, and yet the cash-book and ledger, show Rs. 2,504-2-0 and Rs. 2,804-2-0 *i.e.*, Rs. 2,000 by adjustment and the balance in cash, the amounts of the pronotes being omitted altogether. But Mr. and Mrs. Kenchiah acknowledge receipt of Rs 2,950, *i.e.*, Rs 2,000 by adjustment and Rs. 950 in cash. The source from which the balance of Rs. 145-14-0 was paid is not known. Anyhow the figures shown in the Balance Sheets are not correct.

148. Cash at Banks on 31st December 25—Rs. 631-11-3, as detailed below :

	As per Ledger & Balance sheet	As per Pass Book
1. Mysore Bank	129 12 0	129 12 0
2. City Co-operative Society, Mysore ...	381 15 3	1 15 3
3. City Co operative Bank do. ...	5 0 0	5 0 0
4. Vilupuram Urban Bank ...	105 0 0	105 0 0
5. Hole Narsipur Co-operative Society ...	10 0 0	0 0 0 No Pass Book also.
Total ...	631 11 3	241 11 3

149. Against Rs. 381-15-3 shown against the City Co-operative Society, Mysore, Rs. 380 had already been drawn on 2 cheques on Company's account on 5—12—25, leaving a balance of Rs. 1-15-3 only on 31—12—25. But neither the withdrawals of the amounts from the Society nor their payments to the parties, *i.e.* Rs. 80 to the Dairy and Rs. 300 to Mrs. Kenchiah) had been brought to the cash book. It was probably for this difference that the Pass book was not made available to the auditor.

150. As regards the balance of Rs. 10 shown against the Hole Narsipur Co-operative Society, it was ascertained in the course of investigation that the amount had already been paid to B. Kesava Moorthy, as per Mudaliar's letter dated 11—10—1925, leaving a balance of Rs. 0-0-8 (pies eight only) probably the interest allowed by the Society. In this case also, neither the withdrawal nor payment to Kesava Moorthy was brought to the cash book.

Cash at Banks on Current account.

Balance on 31—3—27 ... ... Rs. 4,624-7-3.

151. This includes an item of Rs. 940 shown as balance with the Hirinannur Co-operative Society in the Dharwar District. As a matter of fact, this balance did not really exist, the same having been withdrawn on 1—10—1926 fraudulently or otherwise, by the depositors themselves. The Managing Director was also aware of this fact, so far back as 20th November 1925 (vide letter No. 7020 dated 6th December 1926 to the Secretary of the Society). The facts of the case are—

151. From the correspondence in the file it is seen that Sub-agent Dasacharya and V. G. Deshponde had gone to the Head Office at Mysore to obtain loans from the Company on the mortgage of their lands and saw Mr. Shankar Lall the then Managing Director, who seems to have assured them that if they should take fifty shares in the Company and, after depositing the amounts thereof in one of the Co-operative Societies or Banks in their place, bring the receipt with them to Mysore, their loans would be sanctioned then and there. On this assurance they somehow or other arranged to place a credit of Rs. 940 (Rupees nine hundred and forty only) being the amount of 94 fully paid up shares taken by them, in the Co-operative Society at Hiri Mannur, Dharwar District, in the name of the Company on 29—8—26, brought the kutcha receipts and the Society's Pass-Book and delivering them to the Head Office in person, asked for pucka receipts and also a loan of Rs. 8,000. This time they were sent back with the intimation that packa receipts would be sent to them by post in about 8 or 10 days, and as for the loan, one of the Company's agents would be sent to their village to inspect the lands and get the necessary documents executed. Eagerly expecting both, though they waited for nearly 20 days; they got neither the pucka receipts, nor did the company's agent turn up. Meanwhile the Managing Director sent a requisition to the Secretary of the Co-operative Society on 8—9—1926 to transfer the amount to the Central Bank, Dharwar. The sub-agent some how got scent of this requisition for transfer and suspecting some foul play on the part of the company and with the connivance of the Secretary of the Society managed to withdraw the amount on 1—10—1926, though the account was in the Company's name.

153. Though pukka receipts were not issued, shares were allotted to them on 12—9—1926, and the allotment notices and share certificates, issued on 21—9—1926 and 5—11—1926 respectively.

154. Not hearing, either from the Society nor from the Central Bank, Dharwar, regarding the transfer of the amount, the company sent reminder after reminder to the Society; but a notice dated 24—12—1926 was received from Dasacharya and Deshponde, informing that inasmuch as the company did not keep up to its promises, the amount was withdrawn by them on 1—10—1926. The Society also replied to the same effect.

155. The matter was, thereupon reported to the Registrar of Co-operative Societies, Bombay Presidency, who after thorough investigation has replied in his letter No. 523/2 of 1927 dated 19th December 1927, that the whole transaction was a bogus one and that there was actually no deposit with the Society to the account of the Company. A copy of the Registrar's letter is attached (vide App. K).

156. It is thus clear, that, at the time of signing the Balance-sheet for 31st March 1927, the Managing Director was aware of the fact that the amount shown as balance with the Society was not there and consequently, it should not have been included under "Balance in Banks". The amount should have been kept under "Suspense" pending adjustment or recovery.

157. It is a question for consideration why criminal and civil action should not be taken against the Sub-agent and the Society for recovery of the amount in question.

158. It will thus be seen that the figures Rs. 381-15-3 and Rs. 4,624-7-3, shown in the balance sheets for December 1925 and March 1927, respectively, do not represent the actual state of affairs of the Company.

Cash on hand.

159. As regards the cash on hand, viz., Rs. 30-0-1 on 31—12—1925, it has to be stated that this is also a fictitious figure, made up of two items, viz., Rs. 15-2-4, as per fair cash-book and Rs. 14-13-9, as per petty cash-book. The balance of Rs. 15-2-4, has already been explained in para 133 *supra*, as representing the difference between the rough and fair cash-books on 31—12—1925, and that this balance did not really exist and the Managing Agents, though fully aware of the absence of cash, have certified to the existence thereof.

Cash at Dairy on 31—12—25 Rs. 648-9-8.

160. Enough has already been said in paras 108 to 110 *supra*, about the absence of this balance in the Diary.

161. One other point deserving of mention in connection is that no action was taken by the Directors to investigate this matter till Mr. Gangaraju, the present Managing Director raked it up, *i. e.*, after he took charge. The matter was placed before the Board of Directors at their meeting held on 5—12—26, and on receipt of Mr. Ramanna's explanation, as resolved therein, the matter was again considered at a Meeting of the Sub-Committee held on 13—2—27, when it was resolved that the balance should be debited to the Managing Agents' (firm's) account. The question of lodging a criminal complaint was placed before the Chairman and the other Directors, in Managing Director's Memo No. 1107 dated 26—3—27, on which Mr. A. J. Ram, the Chairman, has remarked as follows:—

" It is advisable to circulate among the Directors for their opinion, with the explanation of the Managing Agent concerned. The explanation is available with this paper". But this explanation was not forthcoming.

162. No remarks of the other Directors are seen on this paper, but Mr. Gangaraju says that though this was sent round to them, the memo was returned without any remarks. Thereupon a criminal complaint was lodged against Mr. Ramanna on 15—6—27, under section 409 I. P. C., in the court of the City Magistrate, Mysore. But the case was dismissed on the ground that the Board considered the case as one of civil liability and that they subsequently accepted the accused's explanation by debiting the balance to the firm. It is learnt that a revision petition has been filed in the court of the District Magistrate, Mysore, and the case is pending disposal. Copies of the City Magistrate's order and of the Revision petition are attached. (Vide App. Z).

Preliminary Expenses

20th December 1924	...	Rs. 1,715-2-0
31st December 1925	...	1,546-6-7
31st March 1927	...	666-10-4

163. In this connection it has to be stated that, in the Prospectus, a sum of Rs. 2,000 is provided for preliminary expenses and Rs. 1,715 2-0 was drawn therefor and charged under that head to end of 20th December 1924. This latter figure includes Rs 1,341-12-0 drawn by some of the Directors and others as remuneration for services rendered, as detailed in the margin: and excepting Rs. 210 paid to Messrs. Sundara Row and C. K. Sastry, the rest were disallowed and the items were consequently transferred to the personal accounts of the parties concerned. So up to the date of the statutory report, the expenditure under this head proper, was Rs. 583-6-0 only and this together with subsequent additions and transfers has come to Rs 666-10-4 on 31—3—27, as detailed below :—

V. K. L. Mudaliar	Rs.	571	12 0
K. Ramanna		75	0 0
S. Sundara Row		160	0 0
C. K. Sastry		50	0 0
S. N. L. Chetlp		140	0 0
H. Nanjunda Row		20	0 0
Saravanam & Co.		325	0 0
		1,341	12 0

Particulars				Amount		
Mr. Sundara Row for preparing Memorandum and Articles of Association			...	160	0	0
„ C. K. Sastry for translation charges ...			...	50	0	0
Printing charges	...	...	...	97	8	0
Lease Registration ...	...	...	...	36	8	0
Stationery	...	...	...	60	15	7
Advertisements ...	...	...	...	93	6	0
Share Certificates ...	...	...	...	143	2	9
Translation Charges ...	...	...	...	20	0	0
Live Stock Certificates	...	...	...	5	2	0
			Total ...	666	10	4

164. The above items do not include the following charges actually incurred by the Company and paid by Mr. Mudaliar out of the amounts drawn on his personal account and passed by the Board.

No. in Pr. Exp. Stt.	Date	Particulars		Amount		
8	6—2—24	Registration charges of the Company	...	... 114	0	0
14	18—3—24	Sign Board with plank	...	... 15	0	0
15	20—3—24	Stamp duty on M. and A. of Association	...	... 60	0	0
17	6—4—24	Filing fee of Prospectus and Consent of Directors		... 12	0	0
23-24	30—4—24	Stamp paper for declaration of Prospectus by Directors		... 3	0	0
	16—5—24	Opening Ceremony expenses		... 100	0	0
		Other sundry items passed by Board	...	... 499	8	0
			Total	... 803	8	0

165. Further, a sum of Rs. 71-1-8 transferred to "Suspense" from the preliminary expenses account is a fictitious debit made up of 2 items, viz., Rs 70-4-0 and 0-13-8, being the cost of Stationery disallowed in Mr. V. K. L. Mudaliar's preliminary expenses statement. These amounts having been included in Rs. 1,300-5-5, outstanding against Mr. Mudaliar, a second debit to suspense is not correct. The amount will have to be re-adjusted by credit to suspense and debit to preliminary expenses.

166. On the strength of the provision in the Prospectus, Mr. Mudaliar submitted a statement of expenditure for Rs. 2,000 out of which, items aggregating Rs. 803-8-0, as shown above, were passed by the Board and the balance disallowed. This amount, is shown by Mr. Mudaliar, as having been spent out of the sum of Rs. 1,000 said to have been collected by him from five of the Directors towards their share amounts, the balance, viz., Rs. 196-8-0 alone remaining to be accounted for by him. But neither the payment of Rs. 1,000 to Mr. Mudaliar nor the adjustment of Rs. 803-8-0 towards this advance is traceable in the accounts. The share amounts of all the Directors have been credited in the cash-book on the 16th May 24; but as the expenditure has been incurred by Mr. Mudaliar and also passed by the Board, credit will have to be given to him to that extent, by debiting the amount to the "Preliminary expenses" account.

167. The preliminary expenses will thus come to Rs. 666-10-4 + Rs. 71-1-8 + Rs. 803-8-0 or Rs. 1,541-4-0 on 31st March 27.

167(A). It will thus be seen that the figure Rs. 636-10-4 shown in the Balance Sheet for 31st March 27 is not correct.

Mr. V. K. Lakshmana Mudaliar's Personal account:—Balance on 31-3-27.= Rs. 3,536-5-10.

168. A statement showing the details for the above balance is attached, (vide App M) from which it will be seen that the first item of Rs. 196-8-0 is more or less a fictitious figure, as neither the advance of Rs. 1,000 to Mr. Mudaliar nor the adjustment of Rs. 803-8-0, being the preliminary expenses said to have been incurred out of it and passed by the Board has appeared in the accounts.

169. Rs. 20, Rs. 140 & Rs. 75 appear in the accounts of both Mr. V. K. L. Mudaliar, being included in Rs 1,300-5-5 and also in the accounts of the parties concerned, the debits to the latter accounts being transferred from Rs. 1,715-2-0 shown under preliminary expenses; similarly Rs. 571-12-0 is included under preliminary expenses account, while Rs. 597 appears in the personal account also, being included in Rs. 1,300-5-5 Evidently these items have been included in both the accounts, but for which the cash balance on 20th December 1924 ought to have been Rs. 212-11-6 plus Rs. 832-0-0 plus Rs. 196-8-0 at least or Rs. 1241-3-6. There is also another item of credit which has not been brought to the cash-book, viz., Rs. 100 said to have been received from K. V. Gundu Row, and from which Rs. 29-12-0 is shown as paid for stationery; but this latter amount Rs. 29-12-0 has been separately charged in the cash-book on 20-12-24 as shown in para 82 **supra**;

while Rs 70-1-0 is included in Rs. 1,300-5-5. Consequently this Rs. 100 must also be adjusted in the accounts by credit to Gundu Row's account and debit to Mudaliar's personal account.

170. As regards transfer of Rs. 125-8-0 to Mudaliar's account from T. N. L. Chetty's account, it is not understood as to how this figure was arrived at. The amount of commission drawn in excess by T. N. L. Chetty and disallowed is Rs. 165-8-0 and this is debited to Chetty's account; and this amount has been outstanding in that account up-to-date. As that amount also was drawn prior to 16—10—24, the date of Mr. V. K. L. Mudaliar's letter, intimating that if Chetty did not pay his dues to the Company within 24—10—24, he (Mr. Mudaliar) would pay; and as no amount was paid by T. N. L. Chetty and the letter in question does not specify the amount to be transferred to Mr. Mudaliar's account, the whole amount outstanding against Chetty on that date should have been transferred to Mudaliar's account. Deducting the sum of Rs. 125-8-0, already transferred, there is still a balance of Rs. 185-4-0 outstanding against Chetty, which includes Rs. 5-4-0 being Chetty's dues to the Dairy, a liability incurred later on, for which Mr. Mudaliar cannot be held responsible. The balance of Rs. 180 has to be transferred to Mr. Mudaliar's account, as shown below:—

		Rs.	A.	P.
Amount included in preliminary expenses and disallowed by the Board	...	140	0	0
Commission on shares drawn in excess and disallowed ...	...	165	8	0
Total	...	305	8	0
Deduct amount already transferred to Mr. Mudaliar's account	...	125	8	0
Balance to be transferred	...	180	0	0

171. Out of Rs. 85 debited to this account as advance of seigniorage commission, Rs. 10 paid on 3-12-24 relates to H. S. Nanjunda Row and is debitable to his account. This amount will therefore have to be withdrawn from Mr. Mudaliar's account.

172. If all the above adjustments are made, the balance outstanding against Mr. Mudaliar would be reduced to Rs. 3002-13-10, as shown below:—

			Rs.	A.	P.
Balance on 31—3—27, as per Balance Sheet	...	...	3,536	5	10
Transfer from T. N. L. Chetty's account (para 170)	...	...	180	0	0
Amount recovered from K. V. Gundu Row and not brought to account		...	100	0	0
Total		...	3,816	5	10
Deduct.					
(1) Expenditure incurred on account of preliminary expenses and not brought to account (para 166) ...	...	...	803	8	0
(2) Transfer to H. S. Nanjunda Row's account	...	...	10	0	0
Balance to be accounted for		...	3,002	13	10

Difference between Head Office Debits and Dairy Credits— ... Rs. 736-12-8.

173. As per Balance sheet for 31st December 25, there was a difference of Rs. 736-12-8, between the Head Office debits and Dairy credits, out of which Rs. 269-12-3 was since traced and adjusted in the accounts for March 27, leaving a balance of Rs. 467-0-5, and this amount has been provisionally debited to the account of Messrs. V. K. Lakshmana Mudaliar & Co.

Printed Literature & Stationery.

174. The balance shown under this head are as follows:—

31st October 1925	...	Rs.	200-2-2
31st December 1925	...		2,577-14-5
31st March 1927	...		2,097-14-6

175. In the first Balance Sheet, *i. e.*, for 31—10—25, only the actual stationery on hand was shown as stock on hand, the cost of all printed [illegible]

books, registers, forms, etc., whether used up or in stock being charged off finally under Profit and Loss; but in the subsequent balance-sheets, only such of them as have been used during the period have been charged off and the balance whether of stationery or printed books, forms etc., shown as stock on hand.

176. Though these printed registers etc, may have no market value, still it is the practice in several business concerns to value the stock on hand not only of stationery articles, but also of printed books etc., on the date of the balance-sheet. The explanation of the Managing Agents in this respect may be accepted.

Sundry debtors :—Head Office, 31—3—27 ... Rs. 612-5-4.

177. Rs. 325 is shown as due by Saravanam & Co., being advance paid to them for advertisement charges. The circumstances under which this amount is left outstanding for nearly four years are not understood. The claim is evidently time barred. It is a question for consideration why the officers through whose negligence the claim has been allowed to lapse should not be made personally responsible for the loss.

K. N. Narasimiah, Printers, Mysore :—Balance on 31—3—27 Rs. 102-1-4.

178. This balance is made up of two items, viz., Rs. 100 advanced to the firm on 5—2—27 against bills pending payment. This has since been adjusted as also the other item of Rs. 2-1-4, being the Dairy dues for November 25.

Dairy Debtors—Balance on 31—3—27=Rs. 447-9-4.

179. This is composed of several petty items outstanding in the Dairy ledger for supplies made on credit. Though under the Dairy rules, all sales were to be ***strictly for cash***, the authority under which credit sales were allowed is not understood. In the case of some of these items, ***e. g.*** Palace Stables and Hassan Abbas Sait, Rs. 33 and Rs. 5-7-0 were recovered by Arunachalliah, Dairy Assistant, and not brought to account and consequently these balances are still outstanding in the accounts. In addition to these two items, Rs. 122-12-10. was also outstanding against the Government House, Mysore, but on receipt of intimation from the Superintendent that nothing was due as per Government House accounts, the amount has been debited to the Firm's (V. K. L. & Co's) account. No action has practically been taken in the other cases, the reason adduced being that in most cases even the addresses of the parties are not known. The same cannot be said in all cases ; why a reference was not made to the Palace Stables and the truth ascertained is not also understood. As cases in which amounts due have been recovered and not brought to accounts have come to notice, it cannot be definitely stated if there are not more cases of that sort. So, unless notices are issued to all parties in the list and their replies obtained, it is not possible to say if all the items are really outstanding.

180. As regards the amount of Rs. 10 shown against the Hole Narsipur Co operative Society, it has already been shown in para 150 ***supra***, that the same was paid to B. Kesavamoorthy and the balance shown in the Balance Sheet is wrong.

Chief agents allowance (to be recovered out of the seigniorage commission as per agreement).

		Rs.	A.	P.
181.	Balance on 31st December 1925	1,857	9	1
	Add subsequent debits, *i.e.*, from 1—1—1926 to 31—3—1927 ...	154	12	0
	Add also sale proceeds of Memorandum and Articles of Association wrongly credited to this head, instead of to Profit & Loss account	16	0	0
	Total ...	2,028	5	1
	Deduct.—			
	(1) Cash recovery (adjustment out of suspense) ...	184	15	0
	Total ...	1,843	6	1

Deduct also.—

		Rs	A.	P.
(2)	Amount debitable to H. S. Nanjunda Row's account included in the above	108	0	0
	Net Balance on 31—3—1927 ...	1,735	6	1

182. Under Resolution No. 18 of the Sub-Committee passed at their meeting held on 13-2-27, all amounts advanced subsequent to 3-3-25, are debitable to the accounts of V. K. L. Mudaliar & Co., and as per this resolution the amount debitable to V. K. L. & Co's. account will be Rs. 1,289-0-1, the balance, viz., Rs. 446-6-0 only, being debitable to R. K. Naidu's personal account. But the amounts debited to their accounts are Rs. 1,068-4-1 & Rs. 759-2-0, respectivly.

183. So, including the adjustment of Rs. 16 and Rs. 108 the following adjustments will have to be made.—

Debit.—

	Rs.	A.	P.
H. N. Row's account	108	0	0
V. K. L. & Co's. account (Difference between Rs. 1289-0-1 and Rs. 1,068-4-1, already debited)	220	12	0
Total ...	328	12	0

Credit.—

R. K. Naidu's account—Difference between Rs. 759-2-0 already debited and Rs. 446-6-0 actually due ...	312	12	0
Profit and Loss account.—Sale proceeds of Memorandum and Articles of Association	16	0	0
Total ...	328	12	0

Liabilities. (1) Shares.—

184. Including calls paid in advance, the share capital account shows a balance of Rs. 21,047-9-0 and Rs. 32,986-9-0 on the 31st December 25 and 31st March 27, respectively. These figures do not appear to be quite correct. In the course of investigation, it has come to notice that in 133 cases, though amounts have been received and pucka receipts issued, share certificates have not been issued, while in another 57 cases, though share certificates have been issued, credit of the share amount is not traceable in the cash-book. As an instance of the kind, it may be stated that though Mr. Deshponde had paid the full amount of Rs. 200 on account of application and allotment on 50 shares taken by him as qualification shares as a Director of the Company by 18th September 25, no shares were allotted to him till March 27; and yet he was Director from 15—5—25 to 4—1—27, the date of his resignation.

185. The Companies Regulation does not seem to provide any penalty for such omissions beyond entitling the subscriber to withdraw the amount he has paid (vide also Rule 11 of the English Prospectus).

		Rs.	A.	P.
(2) Security Deposits		16,123	15	0
Less appointing charges to be wiped off ...		4,666	8	0
Balance on 31—12—25 ...		11,457	7	0

186. As regards the propriety or otherwise of showing the appointing charges as a deduct entry under security deposits, please see paras 143 (B) and 144 *supra*.

187. There may be instances in which the security deposit will have to be refunded in full, and yet the Chief Agent will have to be paid his remuneration. In the case of one K. R. Ramanatha Iyer of Coimbatore, the security deposit of Rs. 200 was paid by him on 23—9—25 for a District Agency and from the

agreement was entered into. But when the agreement form was placed into his hands for signature, seeing the unworkable conditions contained therein, he declined the appointment and demanded the refund of his deposit. Even when the regular appointment was not made and the service order not issued, and the matter was still under correspondence, the Chief Agent claimed Rs. 100 in this case also as appointing charges and it was paid. So in this case, against a credit of Rs. 200, there was a refund of Rs. 200 to the parity (by adjustment) and a payment of Rs. 100 to Mr. Naida, though he was not entitled to it. This amount will therefore have to be recovered from him.

Sundry Creditors.—

Directors—Balance on 31—3—27 ... Rs. 930-13-5.

188. The above balance includes an item of Rs. 543-12-1, shown as due to Mr. Sundara Row, and is arrived at after deducting Rs. 39-1-5, the so called deficit of cash balance, being the difference between Rs. 39-5-10, the book balance and 0-4-5, the balance handed over by him to Mr. Mudaliar on 16—4—26. Properly speaking this is no short cash, but is explainable as follows :—

	Dr.					
	Rs.	A.	P.	Rs.	A.	P.
(1) Difference in opening balance between the rough and fair cash-books on 31—12—25, and this has been explained in para 136 supra (vide also Balance Sheet for 31—12—25)	15	2	4	...		
(2) Increase in cash balance due to the copying of Rs. 15-6-0 and Rs. 13-8-0 in the fair cash-book instead of Rs. 0-15-6 and 0-13-8 respectively as explained in para 72 supra	27	0	10	...		
(3) Error in totalling and balancing in the rough cash-book on 5th, 9th and 11th March 1926 (vide para 70)	...			2	7	0
(4) Difference between the rough and fair cash-book on account of postage stamps for Office on 13—3—26 as per rough ... 0-8 0, as per fair ... 0-10-0 ...	...			0	2	0
(5) Excess or double debit in fair cash-book on 31—3—26 on account of Dairy contingencies (once on 13—3—1926 and again on 31—3—1926)	...			0	8	9
Total ...	42	3	2	3	1	9

192. In the Balance Sheet for 31st December 25, suspense debits and suspense credits are shown separately, while they are combined and the net balance only shown in the Balance Sheet for 31st March 27. From an analysis of the suspense figures it is seen that the balances of unadjusted credits and unadjusted debits outstanding on 31st March 27, amount to Rs. 4,106-6-6, and Rs 128-12-8, respectively While the former comprises items credited to this head for want of complete information, the latter consists of disallowed items and unexplained differences.

The details tor the latter are.—

(1) Amount of Mysore Bank Cheque No. B 616881 dated 19—10—25, originally debited to "Dairy" and subsequently transferred so this head (vide para 125 supra)	50	0	0
(2) Transfer from "Preliminary Expenses" account. The amount having been included in Rs. 1,300-5-5 debited to V. K. L. Mudaliar's account the debit to suspense is an excess debit and will have to be withdrawn. (Vide also para 165)	71	1	8
(3) Supposed excess cash balance on 31—10—25 as per (auditor's report). This is a wrong debit as explained in para 116 supra and will have to be withdrawn	6	0	0
(4) Amount included both under application account and the personal account of K. Sreenivasa Bhatta (L. F. 274). To tally with the excess credit, a fictitious debit to suspense was raised and the amount is till outstanding. This will also have to be withdrawn	2	5	0
Total ...	129	6	8
Deduct difference in the cash balance under "Petty Cash" on 31—10—25 (as per auditor's report)	0	10	0
Net Balance ...	128	12	8

192(A). As regards unadjusted credits, no attempts are being made to analyse the large balance of Rs. 4,106 and odd, composed mostly of share amounts and Live Stock premiums, and unless this is done, these two accounts cannot be said to be correct.

Agents and Workers.

Mr. Betgere, District. Agent, Dharwar.

193. In the course of examination of the files of moffussil workers, the following serious irregularities which must also amount to misappropriation of company's funds have been noticed and yet no action has, so far, been taken by the Head Office to investigate them and bring the delinquents to book. A bundle of Live Stock proposals containing 252 applications with katcha receipts attached amounting in all to Rs. 2,300-2-0 received from the District Agent, Dharwar, was lying undisposed; neither pucka receipts nor Live Stock Certificates have been issued to the parties and practically no action has been taken in the Head Office to ascertain if the amounts have been remitted to the Head Office, or how they were disposed of.

194. The fact seems to be that this District Agent was doing very good business for the company, remitting all the collections made by him and his sub-agents to the Head Office in full, then and there. But seeing that the Head Office did not promptly send pucka receipts and also the salaries of the staff, he seems to have taken the law into his own hands and kept back the collections and utilised them for salaries, loans and other purposes as he pleased, even without a formal report to the Head Office. In his general survey report on the working in the Dharwar District, dated 16—9—25, he reported some cases of misappropriation of company's funds, forwarding, at the same time, copies of two complaints made by him to the Dharwar and Sirhatti Police against sub-agents J. D. Deshpande and Ramachendrappa Kallappa Sonor respectively, but from the file it is seen that no action was taken by the Head Office in the matter.

195. After prolonged correspondence, he has submitted with his letter dated 16—9—27, a statement of account in which he acknowledges credit of Rs 2,389-5-0 as collections made by him and not remitted to the Head Office,

and shows also an expenditure of Rs. 3,302-5-0, or Rs. 913-0-0 in excess of the receipts. But no action has, so far, been taken in the matter. One Mr. S. A. Swaminatha Iyer seems to have been sent there for investigation, but he too was not able to do anything.

196. One other irregularity noticed in the above statement of account is that the total expenditure incurred by the Dt. agent, besides his pay and allowances, is shown as Rs. 1,855-5-0, while the details works up to Rs. 1,503-14-0 only or Rs. 352-7-0 less. No action has been taken by the Head Office to ascertain the cause of this difference and adjust the same.

H. L. Narasimha Moorthy, Inspector, Nanjangud

197. Even during the short period he was employed as Inpsector under the company *i.e*, from 23—7—24 to 26—10—24, he collected several sums of money from the public and misappropriated them. Series of allegations were made against the Chief Managing Agent, Mr. V. K L. Mudaliar, Chief Agent, R. K. Naidu and T. N L. Chetty, that they collected several amounts from the Inspector and others and never sent pucka receipts for the same. On receipt of complaints in the Head Office, Mr. C. K. Sastry, Director, was deputed to investigate the matter, and his report dated 29—4—25, discloses a deplorable state of affairs on the part of the above named **officers** of the company.

198. T. N L. Chetty is further reported to have **"smuggled"** about thirty reams of printing paper and sold them to outsiders appropriating the proceeds for his own use, besides collecting petty amounts from the public of Nanjangud towards their share amounts.

199. The following extracts from Mr. C. K. Sastry's report speak for themselves, on the conduct of the several officers concerned.—

(1) "The complaint of N. Moorthy is that he worked honestly and earnestly, mostly under the personal instructions of Mr. Mudaliar and in direct dealings with him, and that he had supplied butter to Mr. Mudaliar and others including his chief agent on the promises that they would adjust the bill towards the values of shares and premia of cattle registration. He also narrates to whom all he entrusted with moneys and who all failed to pay and to whom all pucka receipts were not sent, and how he complains, the chief agent illtreated him."

(2) "Santavirappa says he paid Rs. 4 for registration of an animal worth Rs. 50 to Mr. Mudaliar for which he said he would send a pucka receipt, but which was not sent and that he has nothing to blame Moorthy beyond some other irrelevant facts stated."

(3) "Venkatachallaiya asserts he paid Rs. 10 to the hands of T. N. L. Chettiar for an appointment of a sub-agency. He neither got receipt nor appointment order. That thereby he was put to immense loss and damages by discontinuing his past appointment. But does not say that Moorthy received money from him, though it was he that gave the receipt."

(4) "Meda Setti says that on the assurance given by H. L. N. Moorthy that the company will give him Rs. 500 loan, he purchased 8 shares for which the company never sent him a pucka receipt up to date."

(5) "Lingayya's statement discloses most unpleasant circumstances connected with the early promises of the agents to give him loan, his purchasing and registering animals. Asking him to execute a document, making him to bear expenses to the extent of 60 to 70 Rupees, including the amounts on 10 shares of Rs. 20 &c., and that he still did not receive a pucka receipt &c. This betrays a lot of negligence of duty on the officers entrusted by the Board and should he go to court, there will, I fear, be great risk to the company."

(6) "Honnamma says plainly that she supplied to Mr. Mudaliar about 50 + 45 seers of butter and that in her presence, Mudaliar seems to have directed Moorthy to pay her in his salary, and that he would adjust his account &c, and

she further says that Mudaliar owes her Rs. 47-8-0 (Rupees forty seven and annas eight only) on that account and that she did not also get Rs. 14 on the additional butter supplied to himself and some others whom she does not know; but Mr. Mudaliar denies all these facts."

(7) "One Raghavappa says that some reams of paper were smuggled from the company and sold by Mr. T. N. L. Chetti.

17 Reams to Krishna Press

6 Reams to one Chetti in Sayaji Row Road.

6 or 7 to Rajapatam & Co."

(8) "It is very clear from the records that all the persons appearing in the records connected with the company have had some hand in the unpopularity at Nanjangud Taluk."

(9) "I cannot forget the fact, several people share purchasers and cattle registerers, have not received their pucka receipts. In this connection I don't believe the officers concerned have not failed in their duties."

200. In concluding his report Mr. Sastry says:—"In the present matter the whole set of gentlemen, whose names are closely associated in these records are to be held responsible for the ill advised acts, they ventured to do at the early stages of the new company. Inexperience goes towards their defence.

201. Though it was a fit case for criminal prosecution, for obvious reasons, the matter was dropped. Though this Inspector was dismissed from service from 26—10—24, it is seen from the file that he collected moneys in the name of the company even on the 29th November 24 No information is, however, forthcoming as to how far the affected parties were compensated.

202. The same has been the case with almost every worker of the company, and being furnished with any number of receipt books bearing the name and stamp of the company and though most of the old agents have ceased connection with the company, the unused receipt books remaining with them have not been taken back, thereby affording them free scope for further havoc wherever possible.

203 Similar complaints have been received against one Narasayya, sub agent, Bangalore Taluk, who also collected large sums of money in the shape of share amounts, and Live Stock subscriptions granting katcha receipts and the amounts have not been remitted to the Head Office at all. Notwithstanding regular complaints to the Head Office by one Appajappa of Madivala, Lakshminarasimmayya and others, no action has been taken in the matter.

204. This sub agent collected Rs 12 from Appajappa of Madivala on kutcha receipt dated 17—12—24, (2) Rs. 8 from B. Lakshmi Narasimhaiyya of Begur on 30—1—25, (3) Rs. 16 from Munisamiah of Begur, and several others. Though the Managing Director in his letters dated 17—12—27 and 20—2—28 to the sub-agent has threatened him with criminal prosecution unless the amounts are remitted to the Head Office forthwith, neither has the party paid the amount nor has any action been taken against him up-to-date.

Mr. R. S. Deshpande, B. A., LL.B. Bijapur.

204 (A). Mr. Deshponde was appointed Director from June 25. From the correspondence in the file, it is seen that he sent Rs. 270, as under for 54 qualification shares as a Director:—

50	0	0	by M. O. credited on 12th May 25.
100	0	0	Two instalments of Rs. 50 each through Mr. N. R. Kulkarni, Dt. Agent, of which only one instalment has been received and credited in the cash-book on 26—6—25.
100	0	0	Two cheques for Rs. 50 each with letters dated 10th and 15th September 25 credited in the cash-book on 18—9—25.
20	0	0	Two instalments of Rs. 10 each through Mr. H. A. Kulkarni; vide Mr. Deshponde's letter dated 2—5—27

204 (B). Towards this amount, pucka receipts for Rs.200 only were sent to him, and the balance Rs. 70 kept back by N. R. Kulkarni, *i.e.*, one instalment of Rs. 50 and the last two instalments of Rs. 10 paid into his hands. In para 4 of his letter dated 2-5-27 to the Managing Agents, Mr. Deshponde writes as follows:—

"The sum of Rs. 20 was paid by me to Messrs. H. A. Kulkarni brothers in two instalments of Rs. 10 each. They told me that they intimated the receipt of it to you and that you had deducted that sum out of their pay. Please make enquiries,"

204 (C). But no action has been taken to investigate the matter and credit the amount to Mr. Deshponde's account.

204 (D). The irregularities in this case are:—

(1) Though he was a Director from June 25 to March 27, when his resignation was accepted, and though he paid his application and allotment amounts so far back as 18th September 25, shares were allotted to him in March 27 only.

(2) No information is forthcoming as to any bill of Mr. Kulkarni pending payment.

Mr. S. A. Swaminatha Iyer, Dt. Agent Nellore.

204 (E). Mr. Iyer was appointed Superintendent of Agencies from 26—6—27. In his inspection report on the Guntur Dt. Agent T. Venkateswaralu, he brought to notice that against Rs. 310-8-0 collected by the Dt. Agent, Rs. 223-8-0 only was accounted for, leaving a balance of Rs. 87.

204 (F). His appointment as Superintendent of Agencies was abolished from 1—11—27, and information was communicated to him to Nellore address on 2—11—27. In the meanwhile he collected Rs. 50 on kutcha receipt No. 1 from Satyanarayana on 30—10—27, and another Rs. 150 on 11—11—27 from Panchangula Subba Row (the latter after his appointment as Superintendent ceased), and instead of remitting the whole amount to the Bank for credit to company's account, utilised the same for his own use towards his pay and travelling allowances, as under.—

			Rs.	A.	P.
T/A bill for July and August 27...	...	...	153	0	0
Pay and allowance for October 27	...	...	133	0	0
		Total ...	286	0	0
		Deduct ...	200	0	0
		Balance due to party ...	86	0	0

The matter is still under correspondence.

Mr. M. K. Sampatkumaran's case.

His first petition dated 29th November 26 to the Hon'ble the British Resident in Mysore.

205. Mr. M. K. Sampatkumaran was first appointed Dairy Farm Manager on Rs. 50 p. m. on 23—10—25, on his furnishing a cash security of Rs. 550 and paying Rs. 60 towards application amount for 30 shares. But as the security amount was not sufficient, it was supplemented by a loan of Rs. 250 to him, as if for cattle purchase, thereby raising the security deposit to Rs. 800 and pucka receipt No. 2710 was issued to him for Rs. 860 crediting Rs. 800 towards security deposit and Rs. 60 towards share subscription, after taking from him a voucher for Rs. 250 for the amount debited to his account. An agreement was also taken from him. But as the appointment was not to his taste, he resigned it on 5th November 25, and as desired by him in his letter dated 18—1—26, the following adjustments were made:—

	Rs.	A.	P.	
(1)	200	0	0	Transferred to his brother M. K. Srinivasan's account, as security deposit for his appointment.
(2)	240	0	0	Towards share calls, thus completing 30 fully paid up shares.
(3)	110	0	0	Transfer to his personal account.
(4)	250	0	0	The loan of Rs. 250 cancelled.
	800	0	0	

of Rs. 110 transfered to his personal account he had already drawn Rs. 40, as mitted both by him and the office. (Vide letter No. 4333 dated 18—1—26 to Sampatkumaran).

226. In this connection it has to be stated that against the cash refund of Rs 40 above referred to, the cash-book and ledger show Rs. 20 only, and consequently a balance of Rs. 20 is shown as still due to him. But this is not correct. The brother too having resigned the post, the security deposit of Rs. 200 was retransferred to Mr. Sampatkumaran's account, as per his letter dated 19—2—26, by deducting Rs. 50 towards the cost of a type-writing machine sold to him and adjusting the balance of Rs. 150 for another fifteen fully paid up shares. Out of Rs. 70 due on personal account, Rs. 30 was deducted towards incidental charges, as per mutual consent, and the balance Rs. 40 paid to him on the 11th and 15th February 26.

207. The final outcome of all the above adjustments is that he is now the holder of 45 fully paid up shares in the company. Finding all attempts to get back his money useless, as refund of share amounts was not permissible under the rules, he applied for the post of office manager, and under an agreement entered into on the 14th June 26, he was appointed office manager on certain conditions, the most important of them being :—

cl. (1) To hold 50 shares and be responsible to recover all assets of the company and deposit them in the company's bank, and meet all kinds of liability and establishment of the Company promptly in every month, without giving room for any sort of complaint and thus manage the office efficiently. All the institution and legal charges to be borne by the manager himself.

cl. (6) To be responsible to bring all the accounts of the business of the company up to- date, without any arrears of suspense account, Live Stock and shares &c., **within one month from the date of his appointment.**

cl. (11) The company to pay the manager a monthly salary of Rs. 50 rising to Rs.100 on a graduated scale, varying with the profits, *i.e.*, when the company declares 6% dividend, the manager is to get a monthly salary of Rs. 75, for 9% a salary of Rs 85, for 12% a salary of Rs. 100 and an increment of Rs. 15 per mensem for every Rs. 25,000 paid up capital till the maximum salary of Rs. 200 is reached.

cl. (12) To be responsible to make good the losses of the firm of the managing agents and the company, if he fails to fulfil any of the conditions of the agreement.

208. Knowing full well that the affairs of the company were in chaos and confussion and that Mr. Sundara row, office managing agent and all the office staff had resigned, and knowing also that all attempts of the Directors to bring about a general meeting had failed, Mr Sampatkumaran signed the above agreement, and reported himself for duty, on the 14th June 26. For some reason or other, effect was not given to the arrangement, the chief of them being that he did not possess the necessary share qualification. Thus disappointed, he applied for a loan of Rs.300 on the 8th December 26 and in reply, his attention was drawn to rule 1 under "agriculture" in the English Prospectus, under which loans could be granted only to those who had kept their shares **in force for 2 full years**; though in several other cases, *e.g.*, Rs. 200 to Venkatasubbiah Rs. 100 each to Thimma Setty

and Srinivasa Varadachar of Nanjangud, the loans were issued first and from them, share subscriptions and Live Stock premiums deducted at the time of the issue of the loans *viz.*, on 27—9—24.

209. Finding this attempt also fruitless, he finally applied for the post of an organising Inspector and he was appointed as such, for the Mysore, Bangalore and Kolar Dts. from 1st March 27 on Rs. 1 0-10-200+a consolidated allowance of Rs. 125, per mensem, subject to certain conditions and an agreement was also entered into on 26—2—27, the more important of the conditions being,

(1) That he should deposit in the Company's Bank in Company's name, within 5 months, Rs 300 for thirty shares in addition to the 45 fully paid up shares already held by him, to qualify himself for the post of organising Inspector.

(2) To appoint 9 supervisors within the first 3 months, at three per month (which means that he should arrange to bring to the coffers of the Company 9×250 Rs. or Rs. 2,250, within the first three months in the shape of qualification shares).

(3) To guarantee to get registered at least **10,000 animals**, through supervisors and his personal efforts and **keep them in force on the roll every year.** (This means that he should guarantee an income of Rs. 10,000 per annum, in the shape of Company fees, an impossible task seeing that not even 7,500 animals have been registered by about 15 or 16 Inspectors up to end of March 28, *i.e.*, during the last 4 years).

210 Even before executing the agreement, he wrote to the Managing Director in his letter dated 24—2—27, that his salary might be paid **in proportion to the work turned out;** and yet he asked for an advance of allowance before starting on his work But he was informed that he could have the advance only after appointing one supervisor at least in his jurisdiction. After entering on his duties, he again applied on the 3rd March 27, for some advance to meet advertising expenses at least, which might come to about Rs. 30 and also agreed to meet the other charges from his own pocket till one supervisor was appointed.

211. From the progress report submitted for the month of March 27, it is seen that he visited Seringapatam, Melkote, Nagamangala and Bangalore between the 3rd and 18th March 27, and beyond some propaganda work said to have been done in those places he was not able to appoint even one supervisor, nor canvass one share, nor register even one animal in the L. S. Insurance scheme; and during the remaining period of the month, the Progress report shows that he did not do any work at all. So when he submitted his salary bill for the month, his attention was drawn to clause (2) of his agreement and he was again distinctly informed that unless he completed the appointment of three supervisors, as laid down therein, his pay and allowance for the first month would not be paid. An advance of Rs. 33-12-0 was, however paid for advertisement and printing charges and it is still outstanding against him. Not having done any work and fulfilled the terms of his agreement, his agreement was cancelled under cl. 13 thereof, by a resolution of the sub committee on 6—6—27.

212. Since then he has not been doing any work; and taking advantage of the fact that there have been party feelings between the old Directors and the present Managing Director, he has been trying to set up one party against the other.

213. As regards the other allegations made in his petition, those relating to the purchase of land by the company, the anomalies existing in the Balance Sheets for 31st October and 31st December 25 are dealt with in separate paragraphs.

is second petition dated 26th December 27, received with Registrar's No. C. 575 of 27—28 dated 4—1—28.

214. The new facts brought forth in this petition are,

(1) That Mr. Gangaraju, the present Managing Director, paid salarie to other organising Inspectors outside the State, though they too did not do any work like himself.

Whether Mr. Gangaraju showed special favours to others is none o Mr. Sampatkumaran's business, as the time and conditions of their appointment were different. As he did not do any work and did not bring in any income t the company during his tenure of office, he did not get anything.

(2) The second allegation is that the Managing Director lodged a frivolous criminal complaint against Mr. Ramanna. In this connection reference is invited to para 162 **supra**. The case is still *sub judice.*

(3) The next is that the Managing Director induced Mr. S. K to write to the Police authorities to get the Managing Agents prosecuted. The copy of the complaint intended to be sent to the Police Superintendent together with Mr. Sampatkumaran's statement is attached (vide App. N). It was stated that this was not the exact copy he sent to the Police Superintendent, but some other, and of which he had no copy with him.

Though the managing Director was not justified in setting up such people, still it is clear that Mr. Sampatkumaran was simply a tool in the hands fo others.

(4) As regards the dismissal of Mr. Ganga Raju by the old Directors, there is nothing on record either in the Boards resolutions or any resolution of the general body to that effect, No doubt, a series of charges were brought against Mr. Gangaraju by Mr. V. K. L. Mudaliar and after mature consideration the Board decided in Mr. Gangaraju's favour; copy of Mr. Sundara Row's note dated 19-4-27 in this connection is attached. (App. O)

It was the Board of Directors that appointed Mr. Gangaraju and not the managing agents (vide Boards Resolution dated 14th Novr.26) In this connection reference is invited to the counter advertisement in the "Hindu" of the 10th September 27 by Mr. Gangaraju, contradicting the above. A copy of the advertisement is attached. (App. P).

(5) In clause 3 of Mr. Gangaraju's agreement, it is stated that he shall "be responsible to get registered atteast 10,000 animals within a year from the date of his agreement, throughout the working sphere of the company and keep them on the roll every year"

215. In this connection it has to be stated that the number of animals registered in the company's books till 31st December 27, *i.e.*, during the first 13 months after Mr. Gangaraju's taking charge was only 1647, or even less than one sixth of the number agreed upon. Seeing that it is more or less an impossible condition this clause has been omitted in the revised agreement.

Company's Borrowings.

216. Under art 51 of the articles of association, sanction of the Board of Directors is necessary for borrowing any amounts on behalf of the Compay. The following are among the amounts borrowed without such sanction and at usurious rates of interest.

(1) Two loans of Rs. 600 each from Holaram Kupchand and Gangaram Ramdoss on 12th and 22nd September 1925, after deducting Rs. 41-4-0 and Rs 37-3-0, respectively, towards interest, in advance.

(2) Another loan of Rs. 1,000 from Kotumal Ramchand on 4—12—25 on an on-demand pronote executed by Messrs. V.K. L. Mudaliar and Sundara Row repayable with interest at 18% per annum aud on the Collateral Security of the registered sale deed of the Bilikere Estate recently purchased from Mrs. [illegible] and the following payments were met there from.

						Rs.	A.	P.
(1)	...rest deducted in advance	...	...		...	70	0	0
(2)	Deposit in City Co-operative Society	...	...		...	419	0	0
(3)	Varadaji (Mr. Sundara Row's account)		...		...	152	0	0
(4)	Dairy payments do		...		...	54	0	0
(5)	Mr. A. J. Ram	...	Rs.	100 0 0				
(6)	Toopandas	...		50 0 0				
						150	0	0
(7)	Kyathanahalli Dairy	...	...		...	35	0	0
(8)	S. N. Varadaraj	...	...		...	10	0	0
(9)	Milk Suppliers	...	...		...	100	0	0
				Total		900	0	0

217. Out of Rs. 419 credited in the City Society, Rs. 300 were drawn on ...llowing day, *i.e.* 5—12—25 and paid to Mrs. Kenchiah towards the 2nd promote amount

218. Besides want of sanction of the Board, the other irregularities noticed in connection with this last loan are—

(a) Considering the fact that the balance on hand, as per Dairy cash-book, was Rs. 663-11-11 on the 4th December 25, and that Rs. 551-0-0, as detailed in the margin, was all that was required for immediate payment, these should have been met from the balance on hand. This action on the part of the managing agents in borrowing the amount without proper sanction was highly unjustifiable. Even for the payment to Mrs. Kenchiah, the Sub-Committee's resolution of the 4th Novr. 25 was that the Managing agents should see that the amount was to be paid from the assets of the company, and if this procedure were not possible, they should pay the same from their pockets and adjust when funds available from the company. This does not mean that the managing agents should borrow in the name of the company at usurious rates of interest.

Mrs. Kenchiah	...	Rs.	300 0 0
Varadaraji (Mrs. S. S. Row account)	...		152 0 0
Dairy payments do	...		54 0 0
Kyathanhalli Dairy	...		35 0 0
S. N. Varadaraj	...		10 0 0
			551 0 0

(b) Rs. 100 and Rs. 50 shown as paid to Mr. A. J. Ram and Toopandas respectively, appear to be fictitious entries. These items are debited to the Head Office in the Dairy Accounts, but there is no corresponding credit in the Head Office cash book, nor are vouchers forthcoming in support of the debit. (Vide also para 115).

(c) As remarked by Mr. Sundara Row at the foot of the promote, that "as collateral security, the registered sale deed of Bilikere lands in favour of the company has been deposited with Mr. Kotumal Sait this fourth day of December 1925," the borrowing was on the mortgage of some property belonging to the company. It is therefore a question for consideration whether the case does not fall under section 109 of the Regulation and whether the company is not required to report the mortgage to the Registrar as required therein. It has also to be stated that no register of ... required in section 117

Loan Bonds and Loan Register

219. The Loan Register and the Loan Bonds were examined, and the following irregularities noticed therein:—

(a) Under Rule 1 of the English Prospectus, loans are to be granted to qualified share and Live Stock Certificateholders of the company, *i. e.*, only those that have paid the calls on shares on premiums on due dates and have kept their certificates in force for two full years, and yet, loans were issued to the

favoured few, even before the parties paid their share amounts and Live Stock premiums, deducting the same out of the loan issued. (*e.g.*)—

		Date of loan	Amount of loan			Share Subscription			L. S. Premium			Interest		
			Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.
1.	Venkata Subbiah of Nanjangud ...	27— 9—24	200	0	0	40	0	0	18	0	0	15	0	0
2.	Thimma Setty of Nanjangud ...	27— 9—24	100	0	0	24	0	0	7	8	0	7	8	0
3.	Srinivasa Varadachar ...	27— 9—24	100	0	0	24	0	0	4	8	0	7	8	0
4.	Kajane Lingayya ...	27—12—24	150	0	0	...			12	0	0	13	8	0

(b) In some cases, neither bonds, nor even the addresses of the parties are available (*e.g.*)—

(1) N. S. Sreenivasa Row—Rs. 100 on 26—12—24. No bond. Payment made to one Nanjunda Row on a stamped receipt obtained from him. Neither letter of authority nor any office notes or other records sanctioning the loan are forthcoming. The transaction is not free from suspicion.

(2) K. L. Kristnan—Rs. 330.

The amount was advanced to him for purchase of buffaloes for opening Dairy at Bangalore. The buffaloes were purchased and entrusted to his care. These buffaloes were attached by a civil court debtor and taken away; though intimation of attachment was received by the managing agents on 26—5—26, no action was taken in the matter. Though Rs. 330 is shown in the Loan Register, it is not included in the detailed statement of loans, but another Rs. 389-0-0 is shown as outstanding against him under "Sundry debtors," being included in Rs. 2,338-3-3. No action has been taken to adjust the same.

(3) N. R. Kulkarni—Rs. 102 on 21—7—25.

This is an advance of salary remitted to him by T. M. O. and includes Rs. 2 on account of M. O. charges. No bill for arrears of pay is stated to be pending. The amount has been transferred to the loan account. The amount appears to be irrecoverable, as he is no longer in the company's service.

220. There are several such items outstanding under sundry debtors.

(c) The following are some of the cases in which, loans have been issued for security deposits and other adjustments, as under.—

(1) **B. Rajam Iyengar**—Rs. 300-0-0 on 24—2—25

There is no bond and no voucher. Out of Rs. 300 shown as advanced, Rs. 200 has been deducted towards Security deposit and Rs. 5-8-0 kept under suspense. No action has been taken to recover the amount and moreover the claim is time barred.

In addition to the above another item of Rs. 40 is also outstanding against him under sundry debtors, being advance of travelling allowances drawn by him.

(2) **Venkata Row Vaze.—Rs. 663-4-0.**

Rs. 878 plus Rs. 5-4-0, being the amount of Pucka receipts Nos. 3361—3472 &c., collected by G. R. Vaze, Shimoga District agent, has been adjusted in the accounts as shown below

Credits

	Rs.	A.	P.
Security Deposits ...	250	0	0
Live Stock Premium ...	240	0	0
Live Stock Certificate ...	40	0	0
Share Account ...	348	0	0
Live Stock Premium on 30—5—26	5	4	0
Total ...	883	4	0

Debits

	Rs.	A.	P.
Salary and allowance to V. G. Vaze ...	220	0	0
Loan on Pro. notes—No. 1 ...	463	4	0
No. 2 ...	200	0	0
Total ...	883	4	0

Though this is purely an adjustment entry, the credits and debits did not pass through journal, but adjusted in the cash-book only, not on one and the same day, but on different dates as under—

Credits						Debits				
			Rs.	A.	P.			Rs.	A.	P.
19th May 26	...	...	200	0	0	17th May 26	...	200	0	0
14th May 26	...	...	678	0	0	31st May 26	...	683	4	0
30th May 26	...	...	5	4	0					
	Total	...	883	4	0	Total	...	883	4	0

The fact being that this District Agent appropriated all his collections for his own use, and when found out, this adjustment was effected, and that too without the sanction of the Board. He is no longer in the service of the Company ; how this amount is going to be recovered is not known.

(3) Similary the loans of Rs. 200 outstanding against Jagannath Mudaliar and Ramaswamiengar, Rs. 250 against H. L. Narasimha Moorthy Rs. 300 against Mr. R. K. Naidu and others also fall under the same class.

(4) **D. Puttuswamiah—Rs. 25.**

Out of Rs. 225 advanced to D. Puttusamiah, Inspector, Channapatna on 18—12—24, for issue of loans, four loans of Rs. 50 each were issued by him and intimated to the Head Office, and the balance of Rs. 25 remained unaccounted for. This has been treated as a loan made to him. But neither a bond nor a separate voucher is forthcoming for this loan. The claim is time barred and as the party too is not traceable, there is no chance of its recovery.

221. So out of 77 items aggregating Rs. 6,809-3-1 outstanding, under this head, suits have been filed in 30 cases, and how far the amounts are recoverable remains to be seen.

Purchase of Typewriting Machines.

222. A second-hand machine was first purchased on 8th July 1924 for Rs. 95 and within 20 days of the purchase, it was thrown out as useless, and another second-hand machine purchased for Rs. 175 on the 28th of the same month and within less than six months, i. e., on the 4th January 1925 and in the teeth of opposition by Messrs C. K. Sastry, A. J. Ram and B. Narasimha Iyengar of the Finance Committee, whose sanction was necessary for such purchases, a third machine was, at the instance of Mr. Sundara Rao, the office managing agent, purchased for Rs. 295, in exchange for the second machine deducting Rs. 105 therefor the net amount paid being Rs. 190.

223. The first machine which cost the company Rs. 95 was sold for Rs. 50. The loss to the company was thus Rs. 45 + Rs. 70 on the 2nd machine or Rs. 115 in all, within less than six months.

224. How far, the action of the office managing agent was justifiable, it is not possible to say.

Grazing Field Contracts

225. The company took on lease two grazing fields, viz., Curzon Park and the Tennis Court Maidan near Dodkere for Rs. 155 and Rs. 431-4-0 respectively From Mr. Sundara Rao's letter, it is seen that these leases were taken up by Mr V. K. L. Mudaliar without either the sanction of the Board or even his (Mr. S. Row's) own knowledge, consent or ratification, as a partner of the firm. The first was subleased to one Ramiah for Rs. 250 and a bond taken from him. **But the bond was missing.** Though from Messrs Sundara Row and Mudaliar's letter in the file, it is seen that it was with Arunachalliah, Dairy Assistant, he denies it As per Sub-Committee's resolution of the 13th February 1927, the amount of the Bond, viz., Rs. 250 has been debited to the Managing Agents' account.

226. As regards the other lease, Arunachalliah collected Rs. 160 and utilised it for his own purposes, without the sanction of the Managing Agents. But as he admitted the same before Mr. V. K. L. Mudaliar (vide Mr. Sundara Row's letter dated 30-1-27), this amount was adjusted by credit to grazing field account and debit to Arunachalliah's salary.

Purchase of buffaloes for the Dairy.

227. Five buffaloes at a cost of Rs 330 were purchased by one Mr. S. Dharmarajan of Bangalore, on 12-9-25, for the Dairy Farm at Bangalore (Malleswaram) and were subsequently in the custody of K. L. Krishnan, till they were brought to Mysore on 12-12-25, as per letter of Mr. Mudaliar dated 10-12-25. Though the animals reached Mysore on the 12th December 25, Mr. Mudaliar, in his adjustment memo dated 27-3-27 has claimed feeding charges for these animals at Mysore for half of October and November 25, i.e., for 1½ months at Rs. 12 per animal per month, though the animals were not at Mysore during those months. It is on this score that Mr. Sundara Row in his memo dated 19-4-27 has stated as follows:—

"Considering the fact that Mr. Mudaliar has submitted some false bills to the company and has dared to make a false statement in his adjustment report that the Dairy animals (buffaloes), were grazing since October 26, when the company owned no animals". Under the above circumstances, it is not possible to say how far these accounts can be relied on.

Live Stock Compensation Scheme.

228. There are at present 2 old registers from No. 1 to 3357 and 2 new, the latter alone being printed. Out of the old 4357 cases, Live Stock Certificates were issued in 459 cases only, of which 74 only are in force and these have been brought to the new register.

229. Total No. of animals registered to end of March 28 and have been on the rolls including the 74 old cases is 7483, and pucka receipts have been issued in 6966 cases and Live Stock Certificates for 6255. The No. of cases pending registry is about a thousand.

230. Regular Ledgers, of which there are at present 11 Volumes, have been maintained and contain complete information regarding dates of registry, issue of pucka receipts, amounts collected &c., the last No. in the last volume posted being 5483.

A separate register is also maintained for noting death claims and is posted up-to-date.

No. of Death claims registered to end of March
do disposed of
do rejected
do pending
Amount of Death claims paid

Present Management.

232. Under the present management, most of the defects pointed out in the Dy. Commissioner's report have been remedied and the several registers posted up-to-date. Most of the old workers have been weeded out and a new set of agents entertained and the business of the company is now carried on more briskly and systematically than before.

233. The present Managing Director Mr. Ganga Raju has executed a new agreement, but this has not yet been registered. According to this agreement, Mr. Gangaraju has been invested with extensive powers, and Art. 120 of the Articles of Association has also been suitably modified, at the last general meeting held on 10th October 27 and confirmed on 31—10—27, wherein the appointment of a Managing Director has been provided for.

234. As at present constituted, besides Mr. Gangaraju, the Managing Director, there are three other Directors, one is Sivasamudram, another at Kolar

and the third in the Tanjore District. So, practically, the whole control of th company's affairs is centred in one individual, the finance and organising committees originally constituted under a resolution of the old Board of Directors having ceased to exist. In the absence of other Directors at Head-quarters and an efficien inspecting staff to check the work of moffussil agents, it will be physically impossibl for one man, however capable he may be, to exercise an effective control, both o the work of the head office and at agencies. Considering the volume of busines that is now being carried on, in the far off countries, such as Dacca, Asansol Mymensingh and several parts of the Madras and Bombay Presidencies, Coorg &c. and the heavy responsibility involved, the formation of a strong Board at Head quarters seems highly desirable. By this, I am not casting any sort of slur o reflection on the present management, but only suggest further safeguards in th interest of the shareholders. But, I think, this is a matter more for the share holders, to consider.

235. As per list furnished by the Managing Director, there are at presen on the rolls of the company, one Branch Secretary at Calcutta, 16 Organising Inspectors on Rs. 150+125 consolidated allowance, 123 Supervisors on Rs. 50+25 and 284 sub-agents paid by commission according to the work turned out by them So, besides the establishment in the head office, costing about Rs. 700 per mensem including house rent and contingencies, the monthly cost on account of out door staff alone ranges from four to five thousand rupees per month. In this connection it has to be stated that the bills of moffussil agents passed for the month of April 2 and paid in May, amounted to Rs. 4,077 and odd.

236. The cash on hand with the Managing Director on 1—10—27 wa examined and found correct.

237. The balance at credit of the Company in the several Banks, wit which, it has got accounts, was Rs. 22,000 on 31—3—28. (Rupees twenty tw thousand only) in round figures, excluding the sum of Rs. 940 shown against th Hirimannur Co-operative Society, Dharwar District and referred to in para 15 *supra.*

238. A consolidated profit and loss account from the commencement t end of March 28, (with preliminary figures for March 28) is attached, from which it will be seen that the net loss to the company is about thirty thousand rupees i round figures. This loss is arrived at, after deducting the sum of Rs. 20,392 an odd under assets, which are of doubtful recovery, as shown below.—

Land—Rs. 2,804.

This does not yield even the kandayam of Rs. 28-13-0 payable t Government and under present circumstances, it is very doubtful if it can be turned to good account at all.

Preliminary expenses and Commission on shares—Rs. 1,118.

To this will have to be added another Rs. 874 (vide para 167 supra) or Rs. 1,992 in all. This is not a recoverable asset, but only an expenditure to be wiped off gradually, instead of in one year.

(3) **Stationery and Printed Literature—Rs. 2098.**

As explained in para 175, this has no market value and is consequently an item of loss only.

(4) Loans—Rs. 6,809.

Out of this amount Rs. 1,115 only is advanced on the security of moveable and immoveable properties. Though suits have been filed in about 30 cases or so, a major portion of the amount is irrecoverable.

(5) **Sundry Debtors—Rs. 4,680.**

Very many items comprising the a ments and these also are of doubtful recovery. I

(6) To the above will have to be added Rs. 847 paid to Mr. Banumia in connection with the pronote executed by the managing agents in favor of Mrs. Kenchiah, as also the balance of the 2nd pronote for Rs. 1,350., viz., Rs. 35 with interest up-to-date.

239. It will thus be seen that including all the above items, the net los to the company would come to Rs. 48,273 or about fifty thousand in round figures But for the fortuitous income of Rs. 14,406 from forfeitures of Security Deposits the total loss to the Company would have been between sixty-two and sixty-thre thousand rupees.

240. Now that out of Rs. 13,660 outstanding under security deposits on 31—3—27, Rs. 9,210 has been forfeited during 27—28, a balance of Rs. 4,450 onl is all that is available for further forfeitures and repayments, if any; since th system of security deposits has now been discontinued and share qualification introduced instead, the only sources of income are the Live Stock premiums an registrations fees.

241. In this connection it has to be stated that out of 14 or 15 circles a present working, it is only the Chidambram Circle Organising Inspector that ha registered 3293 animals out of a total of nearly 7,000 animals registered during th year, for the Company as a whole, with an average of 1070 animals per month duing the months of January, February, and March 28. Virudanagar follows nex with 2444 animals or an average of only 200 animals per month, the income contri buted by these two alone being Rs. 13,090 and Rs. 9088 or Rs. 22,178 agains Rs. 24,532, realised by the Company as a whole. The remaining 12 or 13 circle have contributed only about 1,350 animals with an income of Rs. 2,354 or there abouts, which gives an average of 100 animals and Rs. 200 income per annum.

Summary.

242. The main objects with which the company was started, viz. "Purchase of the Stock in trade of the Keragahalli Estate and taking on leas the Keragahalli Indigo Estate" both intended solely for the personal benefit o Mr. V. K. Lakshmana Mudaliar, having been cancelled, the other objects enumera ted in clause III of the Memorandum of Association, relating to public benefi have been relegated to the back ground (paras 11 and 25).

(2) Non-disclosure on the part of Mr. Mudaliar regarding the several legal defects existing in the lease of the Keragahalli Indigo Estate to the Board of Directors (paras 14 (c) and 16).

(3) Unauthorised alterations and interlineations in the lease deed, before it was taken to the Sub-Registrar's Office for registration [para 14 (b)].

(4) Though under the rules of the constitution, the Organising Committee had no financial powers of any kind, sanction of the loan of Rs. 5,000 and the writing off of the lease advance of Rs. 720 in favor of Mr. Mudaliar were irregular (para 22).

(5) Unauthorised appropriation of Rs. 375 from the Head Office and Rs. 400 from the Dairy, by Mr. Mudaliar for his own purposes, passing on, On-demand pronotes, without the sanction of the Board or Sub-Committee (paras 23—24).

(6) Misrepresentation and fraud noticed in the purchase of Mrs. Kenchiah's lands, the hasty way in which the bargain was settled, the heavy loss incurred by the company in the transaction, the continued omission to take into account, the two pronotes for Rs. 700 and Rs. 1350 executed in favor of Mrs. Kenchiah, for all of which, the managing agents, if not the whole Board of Directors, cannot absolve themselves of all responsibility and blame (para. 38).

(7) Misrepresentation to the Registrar of Joint Stock Companies, by the Managing Agents that the amount of Rs. 2,000 being the value of 200 fully paid up shares allotted in favor of Mr. Kenchiah, as for cash consideration an not book adjustment, liable to be brought under section 104 (1) of the Compa ies Regulation. (Paras 39 and 41.)

(8) The bogus lottery and the objectionable methods adopted by Messrs. Mudaliar and Ramanna in inducing people to take shares (para 45).

(9) Unauthorised appropriation of amounts collected by Messrs. V. K. L. Mudaliar, Ramanna and Arunachalliah on receipts passed by them to the extent of Rs. 503-1-2 without bringing them to the cash-book at all. (Para 130).

(10) Appropriation of Company's funds for their own purposes, as shown in the rough cash book, but omitted in the fair, thereby including them under cash balances, though cash was not there. (Para 101).

(11) Falsification of accounts and showing of fictitious cash balances in the cash books, while as a matter of fact, there was not even rupees seven (Rs. 7-0-0) on hand for payment of an urgent demand, necessiating the drawing of Rs. 8-0-0 (rupees eight only) from the Bank, though according to the cash book, the cash balance for the day exceeded Rs. 1,500. (Vide paras 72—75 & 159).

(12) Unauthorised advances of Rs. 75 to Mr. Mudaliar as advance of seigniorage commission and Rs. 70 to Mr. B. Narasimha Iyengar as advance of legal charges on 12—1—25, the date of the Statutory Meeting, towards adjustment of their share calls, but for which they would have been defaulters and could not attend the Statutory Meeting. (Paras 85—87).

(13) Cash book, full of erasures and overwritings, more especially in the Dairy Branch, where in the case of an item of Rs. 68-9-3, the original receipt entry, in fact the whole line in the cash book, has been completely erased and Rs. 68-9-3 inserted instead, as received from Mr. R. K. Naidu, Chief Agent in cash, though he had given a letter of authority to the Managing Agents to adjust the same out of the remuneration payable to him. (Paras 103 & 104).

(14) Incorrect balances shown in the Balance sheets, especially those relating to Banks on 31—12—25 & 31—3—27. (Paras 149—158).

(15) Irregular transactions connected with the purchase and sale of the type-writing machines of the office, as also the grazing field contract. (Para 222—225).

(16) Mr. V. K. L. Mudaliar's attempt to defraud the Company in claiming feeding charges for the Company's animals for October and November 25, amounting to Rs. 90-0-0, though the animals (buffaloes) were received in the Dairy, only on the 12th December 25. (Para 227.)

(17) Unauthorised borrowings by the Managing Agents, contrary to the provisions of Art. 51 of the Articles of Association, and on the collateral security of the registered sale deed of the landed property purchased from Mrs. Kenchiah without reporting the same to the Registrar, as required in section 109 of the Regulation and the unauthorised appropriation of Rs. 150 (rupees one hundred and fifty) out of the loan of Rs. 1000 borrowed from Kotumal Ramchand on 4—12—25 by fictitious entries as paid to Mr. A. J. Ram and Toopindas. (Para 216—218).

(18) Loss of an insured letter received from Sub-Agent Bishtiah of Narasimharajpura by Mr. K. Ramanna and omission to credit to the cash book the sum of Rs. 35 contained therein. (Para 131.)

(19) Failure to take prompt action in the matter of the recovery of the amounts outstanding against sundry debtors, especially in the Dairy branch (Para 179).

(20) Collection of large amounts by V. P. Betgeri, District Agent Dharwar, H. L. Narasimhamoorthi and other moffussil workers and misappropriation thereof and the failure on the part of the Head Office to take legal steps in the matter. (Paras 193—204).

(21) Missing loan bonds and agreements, i. e, of C. S. Srikantia and of the grazing field contract. (Paras 94 & 225).

243. From all the above it is seen that owing to gross mismanagement on the part of the Managing Agents in the past, who neither maintained correct accounts nor cared for the interest of the shareholders, the company was reduced to this miserable state.

244. All these irregularities, viz., falsification of accounts, unauthorised appropriation of company's funds for private purposes, payments without proper vouchers and authority, and unauthorised advances of all sorts are noticed at the commencement itself, even before the statutory meeting and yet the Board of Directors did not see their way to remedy them.

245. The heavy establishment and other charges incurred without any adequate return and Rs. 9,000 and odd drawn by Mr. Mudaliar in the shape of loans and advances on his personal account, as well as in the name of the Managing Agents' firm, have all contributed to the heavy loss.

246. Though the first Directors were fully aware of all these circumstances, it is regrettable that the Board did not exercise any sort of control over the actions of the Managing Agents, who cared only for their own personal benefits, at the expense of the shareholders.

247. Huge sums of money have been spent on account of salaries and remuneration to agents and workers, which alone have gone above Rs. 65,000, out of a total expenditure of Rs. 81,000 and odd, while the income from all sources was only about fifty-one thousand rupees. Including the doubtful assets enumerated in paras 238-39, the net loss to the company would come to about fifty-thousand rupees. Considering the fact that the expenditure on establishments alone, including remuneration to agents and workers exceeds Rs. 50,000 (Rupees fifty thousand only) and allowing another Rs. 5,000 at least for contingencies such as, stationery and printing, advertisements, postage, travelling allowances &c., the total cost would come to at least fifty five thousand rupees per annum; and as the Live Stock Scheme is the only source of income, the question for consideration is whether it will be possible to earn sufficient income to meet this heavy expenditure and also to wipe off the heavy loss of over fifty thousand rupees referred to in para 239, unless it be at the expense of the shareholders. It is also seen from para 241, that Chidambaram is the only circle out of 14 or 15, that has been doing the average guaranteed business so far, and even Virudunagar that stands next has not come up to the mark, its total contribution being only 2,444 animals for the 12 months ending 31st March 28, against a guaranteed business of 10,000 animals for the year, while all the remaining 12 or 13 circles put together have contributed an average of only 100 animals each for the whole year.

248. It is also seen that out of the share capital exceeding seventy thousand rupees, Rs. 20,000 (Rupees twenty thousand) is all that is left in the current account with the banks, with which the company has opened accounts, while the other truly realisable assets are very little. It is therefore a matter for serious consideration whether the scheme will ever work at a profit and whether the shareholders, *i.e*, other than those that have subscribed towards their qualification shares can expect any dividend at all in the near future.

249. A list showing the offences committed under the Regulation, as also a list of appendices to the report are attached.

250. My thanks are due to Mr. Gangaraju, Managing Director; but for whose help and ready co-operation, I could not have gone into this work, so minutely.

Sd. T. SUBBARAMIAH,
Retired Asst. Comptroller & Certified Auditor
& Govt. Inspect, the Mysore Agl. D. F. Co., Ltd. Bangalore.

Bangalore
9th July 28

Offences Committed under the Regulation.

Section	Nature of offence	Reference to paras
91 A	Omission by Mr. V. K. Lakshmana Mudaliar to disclose his interest in the Keragahalli Estate to co-directors ...	14 (e)
91 c	Omission to disclose to members the contract appointing Mr. Shankar Lall as Managing Director ...	7
104 (b)	Shares allotted otherwise than for cash not reported to Registrar as such ...	27 & 39
122 (1)	Default in filing with the Registrar particulars of mortgage of the registered sale deed of the Dharmapuri Estate to Kotumall Ramchand.	21 8 (c)
123	Omission of entry in Company's Register of mortgages (No register maintained) ...	do
182	False statements in Balance Sheets ...	110, 158 to 160

APPENDICES

	Particulars.	Reference to paras
A.	Mr. Sundara Rao's note dated 7—2—25 ...	17
B.	„ do letter dated 24—2—25 to Chairman ...	21
C.	„ Krishnaswami Rao's do ...	21
D.	Delegation of powers to Organising and Finance Committees...	22 (1)
E.	English Prospectus of the bogus lottery ...	45
E (1)	Kannada do ...	45
E (2)	Mr Ramanna's letter dated 12—7—24 to Mr. V.K. Lakshmana Mudaliar about the prizes in favour of Venkatagiriappa and others ...	45
F.	Correspondence between Mr. Sundara Rao and V. K. L. Mudaliar *re* the debit of Rs. 1,300 and odd against latter ...	83
G.	Items in rough cash book omitted in fair (Dairy) between 31 August and 31st October 25 ...	101
H.	Lists of items of credit newly traced and not brought to account	124
J.	Mr. Ramanna's letter regarding loss of Insured letter ...	131
K.	Letter dated 19th December 27 from the Registrar of Co-operative Societies, Bombay, *re* the bogus credit of Rs. 940 in the Hiremannur Co-operative Society ...	155
L.	Order of the City Magistrate, Mysore, in Ramanna's defalcation case ...	162
M.	Mr. V. K. L. Mudaliar's personal account ...	168
N.	„ M. K. Sampathkumaran's statement ...	214 (3)
O.	„ Sundara Rao's note of 19—4—27 *re* Mudaliar's complaint against Mr. Gangaraju ...	214 (4)
P.	Advertisement in the Hindu dated 10—9—27 ...	do
Q.	Profit and Loss account as on 31—3—28 (preliminary) ...	238
T.	List of agents and workers ...	235

APPENDIX A

Read Mr. V. K. L. Mudaliar's proposal dated 21—1—25, *re* the lease of the Kergahalli Indigo Estate. In the first place, he says, he was not a consenting party to the cancellation of the old lease. But when the cancellation resolution (i. e. resolution No. 2 of Meeting No.X) was passed, Mr.V. K L. Mudaliar remained neutral, he did not even oppose it; and subsequently resolution No. 17 of the said meeting has been passed unanimously to the effect "that the draft of the new lease should be submitted by Mr. V. K. L. Mudaliar." Hence, Mr. Mudaliar is deemed in law to have agreed to the cancellation of the said lease-deed, as well as by his subsequent conduct in proposing "amended" terms.

The terms now proposed by him are far from "legal and reasonable". The exact extent of land is not mentioned. The demand for the immediate payment of the advance set forth in the deed, without specifying how that advance is to be liquidated, speaks volumes against Mr. Mudaliar's fair-mindedness. All the lease-deeds in favour of several ryots have not been "deposited with the company", but only three lease deeds have been produced by Mr. Mudaliar before meeting X, that too, after I called upon him to do so. The other lease-deeds, (plus the above three, which cover an extent of nearly forty-four acres) are not forthcoming. And how can Mr. Mudaliar make a demand of the advances in these deeds, in the absence of legal transfer of the same in favour of the company? The terms and conditions for this transfer have also to be decided. Before we can decide upon the annual rent to be paid to the lessor, we must have an idea of at least the past few years' income; and conditions of the grant of the land to the lessor are also to be produced. Without all these, to give an off-hand figure, of from six hundred to rupees one thousand, on an annual increment of rupees one hundred only, is always dangerous.

As regards conversion of some ten acres of land into Bagayath and another ten into wet, the company cannot directly undertake the former and the latter is a physical impossibility. With regard to the former, the leases in favour of the ryots do mention, that certain portions should be converted into Bagayath by growing cocoanut palms; and if these leases are transferred to the company, the company can only undertake to enforce the conditions or in the alternative recover damages from the ryot; beyond this, the company cannot take the responsiblity of direct conversion. As to wet conversion, where is the flowing sheet of water for which 'nalas" can be dug out to irrigate the land? Perhaps, Mr. Mudaliar thinks of the Norias Kapilai System, which at this juncture the company cannot embark on, unless the present well, with a huge outlay of a thousand rupees at least, is reconstructed. Assuming we do all these, what profit does it bring to the shareholders? At this point one has to pause. The result would only be profit to the individual at the expense of the shareholders. Then, is this wise policy? and does it speak well of the person who wants to profit himself at the sacrifice of the poor shareholders?

Further there are several other unreasonable clauses in the old lease-deed, such as clause four, six and seven which rnquire either to be deleted or amended. Were we to ignore all the above and enter into a new lease, we would be openly lending support to the auditor's allegation that the contracts the company enters into are always favourable to the person who accepts.

The next question, the most important of all is granting all the above amendments or changes are made, can we (I mean the Directors) conclude the contract ignoring the opinion of the shareholders, as expressed in the last statutory meeting? Though the exact words of the majority of the shareholders, *viz.*, "that if at all the lease is to be entered it must be done so with the knowledge and consent of the general body," have not been recorded, still there is on record, "that the majority opine that the lease is inadvisable." Again though this expression of opinion by the shareholders is not in the form of a resolution, still it must legally be respected. But if this committee members were to enter into the lease, setting the sharedolders opinion at naught, it would be nothing short of a breach of trust.

For the foregoing reasons I am not at all in favour of entering into the lease and Mr. V. K. L. Mudaliar will have to wait for the decision of the question till the next annual general meeting, when the approval and consent of the general body shall have to be taken.

(Sd.) S. SUNDARA RAO,
7—2—25.

The agreement, as amended seems to be reasonable, when compared with the old one. But Mr. V. K. L. must guarantee that no loss will be incurred by entering into this agreement to the company, after investing the required amount as per previous directors' resolution. If he gives that guarantee, the lease may be entered into.

(Sd.) A. J. RAM,
23—2—25.

The lease proposed by Mr. V. K. L. is in the best interests of the company, and the same be accepted without any demur. Being in the company as a director, he has offered these terms and if a private man, he would have asserted his rights under the old lease-deed. The land is a good one; and some expenditure of money on the well will bring good profits to the company.

(Sd.) B. NARASIMHA IYENGAR, Chairman,
5—2—25.

The amendments proposed by Mr. V. K. L. Mudaliar seems reasonable. It is advantageous to the company when he promises to work out profitably when the company advances Rs. 5,000 as per resolution of the board of directors. Hence it may be accepted.

(Sd.) K. RAMANNA,
5—1—25.

APPENDIX B

S. SUNDARA RAO, B. A., LL. B.,
Advocate

MYSORE,
dated 24—2—1925.

C. KRISHNAMURTHI SASTRY,
Chairman, Organising Committee,
The Mysore Ag. D. F. Co., Ltd., Mysore.

Dear Sir,

Under a mistaken notion I had given my consent to the resolution of the said committee to the effect that Mr. V. K. Lakshmana Mudaliar be given a loan of rupees five thousand on the security of the seigniorage commission etc. Now, I realise that the security is vague and indefinite, depending as it does upon the business turned out by the several agents. Besides Mr. Mudaliar is already a debtor to the Co., to some extent for wiping off of which debt, the company shall have to set off the seigniorage commission earned, as well as, if need be, the monthly allowance. Under the circumstances, I hereby withdraw my consent to the above-said resolution, which has not as yet become an accomplished fact. Hence the withdrawal of my consent to the said resolution is valid and cannot in law be deemed to be too late and inoperative.

Yours faithfully,
(Sd.) S. SUNDARA RAO,
Member and Secy. to the Organising Committee,
The M. Ag. D. F. Co., Ltd., Mysore.

APPENDIX C

N. KRISHNASWAMY RAO,
s/o, Rai Bahadur Bakshi Narasappa,

MYSORE,
dated 24—2—1925.

C. KRISHNA MURTHI SASTRY, Esq.,
Chairman, Organising Committee,
The Mysore Ag. D. F. Co., Ltd., Mysore.

Dear Sir,

I hereby tender my resignation of my membership in the said committee.

Further I withdraw my consent to the Resolution, that Mr. V. K. Lakshmana Mudaliar be advanced a loan of rupees five thousand on the security of seigniorage commission etc., as I lately came to know that security is not at all safe for an investment of rupees five thousand, in as much as security depends on future out-turn of business. I have hastened to withdraw my consent to the above said resolution before it is given effect to. Hence the resolution does not in the least bind me.

Yours faithfully,
(Sd.) N. KRISHNASWAMY RAO.

APPENDIX D

"Delegation of powers to Financial Committee."

1. The Committee shall have power to call for, through Managing Agents, information such as Accounts, Statistics, Documents etc., as they require.
2. To consider and sanction loans above rupees hundred to rupees five-hundred.
3. Sanction of all Bills of purchases exceeding Rs. 20.
4. Sanction of item of Expenditure, that are not of routine and of usual character.
5. To call for Statement of Accounts showing Income and Expenditure and cash on hand for the month through the Secretary of the Committee.
6. To consider the increase and retrenchment in the Establishment from time to time.
7. To make from time to time allotments of shares.
8. All such other powers which the Directors may from time to time think it expedient to delegate to the committee.

Delegation of powers by the Board of Directors to Organising Committee.

1. This Committee shall duly exercise all such powers as the Board may in its Meeting delegate by Resolutions.

2. The following provisions contained in the Memorandum of Association, Viz:

Clause a, b, c, d, e, f, g, h, i, j, m, n, v, w, x and Sub-clause 18 of clause 118 of Articles of Association be delegated to this Committee for their dealings.

(b) Powers to standardize the agreements already entered into between Managing Agents and the Organising Officers *inter vivos* with terms, conditions and remunerations be given.

(e) Generally to inspect office works, accounts, correspondence registers and books, etc.

(f) To consider, approve or sanction any scheme or schemes that may be placed before the Committee, by any member or members of the Committee or Board.

(g) The Committee shall have power to frame, revise, alter, amend rules and regulations relating to each and every branch of Organisation.

(h) This Committee shall have power to estimate, calculate and devise means for the development of the existing schemes.

3. The Committee shall have power to call for through the Secretary, such information, accounts statistics and documents as they in their discretion deem it necessary to read and inspect for the due discharge of their functions.

4. In all matters connected with pure Organisation, the Committee shall have power to deal with retrospective effect, when necessary.

5. The Committee shall have power to bring to the Notice of the Board such defects in the previous acts and agreements as may be necessary to be amended, revised, modified, rectified or cancelled.

6. Any recommendations this Committee may deem fit to make to the Board or other Committees (Financial) shall be duly valued and respected.

APPENDIX E

TEN SHARES LOT.

Ticket Number.

Shares Number from.....to.....

Fifty lots of 10 shares each carrying a prize of Rs. 250 each, one hundred lots of 5 shares rying a prize of Rs. 100 each, will be distributed within five years as follows :—

1st Drawing	1925	10 Prizes of Rs. 250	20 prizes of Rs. 100
2nd "	1926	do	do
3rd "	1927	do	do
4th "	1928	do	do
5th "	1929	do	do

Name..... .....

Address.....

For the Mysore Agricultural Dairy Farm Co., Ltd., Myos..,
V. K. LAKSHMANA MUDALIAR & Co.,
Managing Agents.

RULES.

1. The prizes will be paid in cash one month after the drawing.

2. In claiming a prize, the Drawn Ticket must be sent to the Office.

3. Only those shareholders who have paid the application and allotment money and calls on the due dates without late fee or interest shall be eligible for the prizes.

4. The Chairman of the Board of Directors will draw the prizes in the presence of the Directors and such of the shareholders who would be present on the drawing day.

5. Notice of the drawing date will be given to the shareholders.

6. The result of the Drawing will be intimated to all the prize ticket-holders within a week after the Drawing.

7. The winners in one drawing will r

APPENDIX E (1)

ಈ ಸುಸಮಯವನ್ನು ಬಿಡಬೇಡಿ ! ಬಿಟ್ಟರೆ ಸಿಕ್ಕುವುದಿಲ್ಲ !!

ದಿ ಮೈಸೂರು ವ್ಯವಸಾಯದ ಡೈರಿ ಫಾರಂ ಕಂಪೆನಿ ಲಿಮಿಟೆಡ್,
ಮೈಸೂರು.

ಈ ಕಂಪೆನಿಯ ಡೈರೆಕ್ಟರುಗಳು ತಾ|| ೨೬-೬-೨೪ರ ಲಾಗಾಯಿತು ತಾ|| ೧೫-೭-೨೪ರ ಒಳಗಾಗಿ ಈ ಕಂಪೆನಿಯಲ್ಲಿ ೫ ಷೇರುಗಳನ್ನು ಪಡೆಯುವ ೧೦೦ ಮೆಂಬರುಗಳಿಗೆ ಪ್ರತಿಯೊಬ್ಬರಿಗೂ ೧೦೦ ರೂ: ಬಹುಮಾನವೂ; ೧೦ ಷೇರು ಪಡೆಯುವ ೫೦ ಜನ ಮೆಂಬರುಗಳಿಗೆ ಪ್ರತಿ ಒಬ್ಬರಿಗೂ ೨೫೦ ರೂ. ಬಹುಮಾನವೂ, ಮೈಸೂರು ಮತ್ತು ಬೆಂಗಳೂರು ಡಿಪ್ಟ್ರಿಕ್ಟ್ ಚೀಫ್ ಏಜಂಟರುಗಳ ಕರಾರು ಗ್ಯಾರಂಟಿಪ್ರಕಾರ ೩೦,೦೦೦ ಜಾನುವಾರುಗಳ ಮೇಲೆ ಧಾಮಾಷಾ ೩ ರೂ. ಗಳಂತೆ ವಸೂಲಾಗುವ ಚಂದಾ ೯೦,೦೦೦ ರೂ. ಗಳಪೈಕಿ ಶೇಕಡ ೧೫ ರಂತೆ ರಿಜರ್ವ್ ಫಂಡಿಗಾಗಿ ಬರುವ ೧೩,೫೦೦ ರೂ. ಗಳಲ್ಲಿ ಪ್ರತಿವರ್ಷವೂ ೩೦ ಜನ ಮೆಂಬರುಗಳಿಗೆ ೪೫೦೦ ರೂ. ಗಳನ್ನು ಹಂಚುತ್ತಾರೆ.

ಈ ೫ ವರ್ಷಗಳಲ್ಲಿ ಮೇಲ್ಕಂಡ ಈ ೧೫೦ ಜನ ಮೆಂಬರುಗಳಿಗೆ ಮಾತ್ರ ಮೇಲ್ಕಂಡ ಬಹುಮಾನವು ಗ್ಯಾರಂಟಿಯಾಗಿ ಸಿಕ್ಕುತ್ತೆ.

ಇಂಥಾ ಉತ್ತಮವಾದ ಸಮಯವನ್ನು ಕಳೆದುಕೊಳ್ಳದೆ ಫಲವನ್ನು ಹೊಂದಿರಿ.

ಷೇರು ದರಖಾಸ್ತು ಫಾರಂ ವಗೈರೆಗಳಿಗೆ ಈ ಕೆಳಗಿನ ವಿಳಾಸಕ್ಕೆ ಬರೆದುಕೊಳ್ಳಬಹುದು.

ಮ್ಯಾನೇಜಿಂಗ್ ಏಜಂಟ್ಸ್,
898, ಪೈಲ್ವೈಸ್ಸೇರ್ಷ ರೋಡು, ಮೈಸೂರು.

APPENDIX E (2)

V. K. LAKSHMANA MUDALIAR, Esq., MYSORE.

Dated 12—7—1924.

My dear Mr. Mudaliar,

I came here yesterday morning. I have appointed Mr. Venkatagiriyappa as Chief Agent for Hassan District and Mr. H. L. Narayana Iyengar for Kadur District.

The 50 shares amount of Rs. 100 for each will be sent on 14th latest by T. M. O. It is on the inducement of prizes they have taken ; good work will be turned out by Mr. Venkatagiriappa. Yesterday he sent for 50 Shanbhogs and every one is willing to work as agent. Please see that these gentlemen Mr. Venkatagiriappa, Mr. Narayana Iyengar, Mr. Venkatasubbayya and Channappa, Inspector, will get a prize. I received your M. O. Rs. 20; my work here is complete.

I leave this for Shimoga this noon at 2 P. M. train.

In all the districts the public want Kannada application forms Please send the same to all chief agents and please do not delay in sending official orders to them. Within next 10 days I will complete the whole province. Please print more (ಪ್ರಕಟನೆ) and live stock rules at least 10,000. The rush begins from the 1st of next month. As this is the end of the year and moreover (Sunyamasa) rather hard for funds. I have sent also the share application filled up of the Assistant Surgeon here. I have received Rs. 10 for 10 shares, the balance Rs. 10 the gentlemen will send before 15th. This must also include in the prize list. I have given a receipt.

As soon as you receive the amount, please send receipts, official orders to do more work to the respective persons and oblige.

More in my next.

Yours faithfully,

(Sd.) K. RAMANNA.

APPENDIX F

In reply to Mr. V. K. L. Mudaliar's letter addressed to the Chairman and the Directors, I have to state that his said letter betrays hopeless misunderstanding of the accounts. There have been no double entry anywhere ; in the first place, he admits that he owes Rs. 216-8-0 (Two hundred and sixteen Rupees and annas eight only) and as regard the balance, I will set forth item by item.

Re : Rs. 88-12-0 which he says he has returned ; there is neither a "Karch" of Rs. 125-0-0 nor a "Jama" of Rs. 88-0-0 against his name in the Pucka Account books, and as to the voucher relating thereto, I solemnly declare that Mr. Mudaliar took it out from his pocket on the day I took a consolidated receipt from him, and plainly told him that even in Mr. Ramanna's Katcha book, the entries were not to be found. However, I told him if what he told were to turn-out true, the same will be given deduction to. In this connection, I would invite the attention of the Directors to the Katcha book maintained by Mr. Ramanna. There is no reason why this entry of Jama and Karch only should be omitted in the Pucka book, when all the other entries are transferred. I have grave suspicion that considering the position and remarks written on these entries they have been subsequently brought in by Mr. Ramanna in collusion with Mr. Mudaliar who about a fortnight ago took back his Katcha for "reference and return". Further there is nobody's sanction for this amount of Rs. 125. The remarks, as against entry on 18—9—24, viz., received Rs. 100. N. S. Srinivasa Rao, also I doubt ; because if that remark really existed, the same would no doubt have been incorporated in Pucka books. Be that as it may ; granting that Mr. Mudaliar did return Rs. 88, for the balance of Rs. 37 (Thirty seven) he has yet to furnish accounts ; and this Rs. 88 may be given deduction. But as regards Rupees seventy and annas four (Rs. 70-4-0) no stationery has been supplied to the Office as said by Mr. Mudaliar. Mr. V. K. L. Mudaliar, without any body's sanction took with him Rs. 103 (One hundred and three) and as is seen from voucher No. 148 (i. e. Modi Abdul Gafoor) he has paid him Rs. 100 and while at Bangalore Mr. Mudaliar received Rs. 100 from Mr. K. V. Sundu Rao and has paid Rs. 29-12-0, as per voucher No. 135, (Taraji Hirachand) the balance is Rs. 70-4-0 which Mr. Mudaliar must account for. *Re* : Rs. 597 (Promoter's money), though Mr. Mudaliar in a way admits indebtedness, he says the shareholders have sanctioned it ; this is far from the real truth, the shareholders have said that 'Mr. Mudaliar must be paid Rs. 500 only when the Company declares 6 o/o dividend. But this does not mean that Mr. Mudaliar is not to repay it now on the contrary he must repay this amount to the Company immediately and can claim his dues only when it falls due.

Re : Charges paid for getting the deficit stamp etc., certified on his lease deed, though actually Mr. B. N. Iyengar has taken it, it must legally go to Mr. Mudaliar's personal account as the money has been paid on his account. The repairing charges undoubtedly Mr. Mudaliar must return the company. *Re* : amount paid to Messrs. Ramanna, T. N. L. Chetty and H. N. Rao under preliminary expenses head, though the auditor has taken to Mr. Mudaliar's personal account, the Directors may again transfer to the respective persons' personal accounts and devise some means of recovery.

I quite admit Mr. Mudaliar's statement that he has nothing to do with accounts ; but he had every thing to do with cash during May, June and July 1924, when it was he who was receiving all kinds of money and make payments without my knowledge and consent and whatever vouchers he used to give, the clerk used to write in Katcha books and I used to check them, least doubting, Mr. Mudaliar's honesty. And I as the person responsible for the financial matters have done my duty in finding out wherein lies the difference and after convincing Mr. Mudaliar have taken the voucher. Properly speaking it is not now open to Mr. Mudaliar to say that I have misrepresented and taken a receipt. A man of such worldly experience as Mr. Mudaliar knew quite well what he was doing at the moment he gave me the receipt. Even a fool does not give a voucher merely one demands it. Making all possible liberal allowances. Mr. Mudaliar must admit that he has to some extent utilised Company's funds, on his own account.

Mr. Mudaliar's allegations that somehow the accounts were written within a month and the auditor and office Managing Agents were struggling hard to making up the deficit are not at all tenable if any one were to peruse the two Katcha and one Pucka books. Because Mr. Mudaliar is caught now he has come forward with all sorts of pleas, good, bad and indifferent. Truth no doubt must in the long run prevail.

Further the Directors shall have to note that they have also to recover from Mr. Mudaliar money paid by the Company for agricultural implements etc., and cost of tiles which, without anybody's sanction, Mr. Mudaliar has taken for his Keragahalli shed.

(Sd.) S. S. Row,

dated 2—3—25.

To

THE CHAIRMAN,

Financial Committee,

The M. Ag. D. F. Co., Ltd., Mysore.

Dear Sir,

When I sent my allowance bill to office Managing Agent for payment, Mr S. S. Rao writes to me in reply stating that I am due to the company a big sum. If Mr. S. S. Rao means Rs. 1,300, as mentioned in the statutory report, I beg to say that an explanation for Rs. 1,300 may kindly be given by him.

Properly speaking I am not due to the company anything. This Rs. 1,300 was given by me as receipt for preliminary expenses, incurred. Simply because Mr S. S. Rao said that there are no receipt of the 2,000 Rs. sanctioned by the Directors for preliminary expenses. As all the Directors know fully well that I and Mr. K. Ramanna placed all the vouchers corresponding to the preliminary expenditure in the Directors' meeting and the said amount was sanctioned by all Directors, I am at a loss to know now what became of the receipts which I placed in the meeting?

(2) Who is responsible for this?

(3) If this objection had been brought then and there, my name would not have been brought to the public so far.

(4) Further I would like to understand what items of expenditure I should give receipt in the preliminary expenditure. What has that preliminary expenses to do with my allowance, even granting what Mr. S. S. Rao has written that I am not entitled to draw this my allowance.

This question of allowance must be decided by the financial committee; therefore, I hereby request the financial committee to do the needful to draw my allowance regularly and decide the 1,300 Rs. advance, as shown in the statutory report.

Yours faithfully,

31—1—25 (Sd.) V. K. LAKSHMANA MUDALIAR.

Read Mr. V. K. L. Mudaliar's letter dated 31—1—25, addressed to the Chairman, Financial Committee, calling from me an explanation of Rs. 1,300 and odd standing in Mr. Mudaliar's account.

What all Mr. Mudaliar has stated in his letter is far from truth. By a perusal of the accompanying memo of accounts one will see how Mr. Mudaliar is a debtor to the company and his statement that " properly speaking he is not due to the company anything" is untenable. After searching calculations, the figure was arrived at, that too in the presence of Mr. K. Ramanna, Krishnaswamy Naidu and Mr. V. K. L. Mudaliar. The auditor also explained the position to Mr. V. K. L. Mudaliar. I never said I had no vouchers for Rs 2,000 sanctioned on preliminary expenses account, but I told him that the sum debited to his personal account includes amounts disallowed under the preliminary expenses, which he had already drawn and paid, as well as amounts for which he had not as yet furnished accounts. No doubt this is quite evident from the annexed memo. Mr. V. K. L. Mudaliar no doubt had placed serveral vouchers at the meeting wherein preliminary expenses were sanctioned, when everybody took him on trust. Subsequently they were all taken back by him along with the bill for furnishing it more correctly. Afterwards the few vouchers which he submitted are to be found in the voucher file, but some of them again require to be submitted by the party's voucher, as they are only "Mogum" vouchers given by Mr. Mudaliar who has himself drawn the amount in fifties and hundreds. His plea that he placed all vouchers and if some are missing, his insinuation that some one else is responsible does not in the least hold water in the teeth of the above facts, as well as my repeated demands for vouchers so long back as about August 1924.

Mr. Mudaliar was first of all convinced of the figures and then the voucher was taken: and if one were to peruse the annexed memo of accounts, one will see that no magic or slight of hand tricks has been played on this person of good wordly experience, who knew quite well what he was doing at that moment. On the contrary that he owes a huge sum is quite patent, despite the allowance we may have to make for several items. If need be, for the satisfaction of one and all concerned, the auditor may be called upon to explain the position and set matters right in the interest of the concern.

Hence the directors would do well to take a bond from Mr. Mudaliar for the sum due along with a surety and devise some means of recovering as by partial set offs of the monthly allowance and seigniorage commission.

From

V. K. LAKSHMANA MUDALIAR,

Proprietor, Keragalli Indigo Estate.

To

THE MANAGING AGENTS,,

The Mysore Agricultural D.-F. Co., Ltd., Mysore.

Sir,

With reference to your letter No. 1458 dated 14—12—24, I wish to inform you, that as is opined, in the resolution No. X dated 7—12—24 (for which I was not a consenting party) that a new lease be entered in the most legal and reasonable manner, it is very fair and just, in my humble opinion, that a draft be prepared with such most legal and reasonable modifications by the Legal Advisor of the Company or by the Office Managing Agent, who fortunately happens to be a member of the bar.

Since the burden is thrown on me, I wish to say regarding the alleged defects as follows:—

The extent of land-My data is the Patta given to me by the Revenue authorities on payment of kandayam made by me and the Government proceedings:—

The boundaries of the plots numbered by the Government are bounded, as follows:—

N., S., E. and W. as per list herein enclosed.

The other two plots (not numbered) are bounded also as per above;

The whole plot is in my possession and enjoyment.

Regarding the Agreement:—

I do not agree for its cancellation. But in the interests of all concerned the following amendments in the conditions are suggested, to be effected provided that the balance of the lease advance rent amount due to me by the company is paid at once and the advances made by me to the ryots as per deeds deposited with the company within a year from the date of agreement, as the funds of the company permit.

The Amendments, are:—

(a) The lease rent amount to be paid to me be fixed at six hundred rupees (Rs. 600), for the first year with an annual increment of Rs. 100 till it reaches the maximum of Rs. 1000.

(b) That an extent of 10 acres be converted into Bagayat and another 10 acres into wet lands within 5 years from the date of the agreement in place of 40 acres. The other conditions of lease remains as they are, as per original lease deed executed.

(Sd.) V. K. LAKSHMANA MUDALIAR,

Proprietor,,

Keragalli Indigo Estate, Mysore.

21—1—25.

THE CHAIRMAN,

Board of Directors.

Sir,

On the explanation of Mr. S. S. Rao, Office Managing agent, sent to me with memo of accounts, I beg to reply as follows:—

First I discuss in accounts.

From the money debited to preliminary expenses and the money thrown upon me as personal account, I only invite the attention of the Chairman and the Board of Directors.

I had spent Rs. 2400 towards preliminary expenses and submitted bill and placed it before the meeting with vouchers. The Board returned it, cut it down to Rs. 2000 and passed the preliminary expenses as reduced by the three managing agents, in which were Legal fees and other charges pending payment; such excess were also being disallowed. Hence the preliminary expenses of the company legitimately confined itself to Rs. 2000 and fixed up to Rs. 2000 only.

From the statements of a/cs attached hereto, it may be observed that several items are doubly debited twice both to the a/c of preliminary a/c and as well as Mr. V. K. L.'s personal advance. Some of these items are repeated in the debit of the personal a/c of V. K. L., and different headings under stationery, paper, rent, legal charges. Again some items of money duly refunded to

the company, by Mr. V. K. L. are not taken under the credit account, debit only retained.

By scrutiny and comparison of different statements of A & B of statement No. 2 may clearly show about Rs. 1000 and odd are unjustly debited against my personal a/c and a consolidated voucher was taken in a hurry by misrepresentation, just before the statutory a/c were being concluded.

Statement No. 3 will clearly show the correct adjustment of Rs. 2000 sanctioned towards preliminary expenses; and actual amount of about Rs. 247 only for which I shall have to be personally liable.

On no account personal liability will never exceed Rs. 247 out of which Rs. 20-0-0 paid by me to Harrison Press for printing Memorandum, Articles—correction etc., are not entered in the accounts. Deducting which, my liability comes to only Rs. 227—0—0.

Here I specially beg to bring to the notice of Directors that the Office Managing agent Mr. S. S. Rao, has not, I see, written cash-book from day-to-day showing clearly daily credits, debits and closing balance though he had availed himself of a heavy paid establishment under his own control and directions and though these defects were noticed by the Directors, especially by Mr. C. K. S., in meetings and otherwise and though Mr. C. K. S. has repeatedly written these and other defects to be immediately attended to; again the cash-books, many a time, were got written by the auditor with his help and co-operation, in about a month prior to his report for statutory meeting.

It has come to mine and perhaps knowledge of some others concerned in the administration of the company, that the auditor, office managing agent and his accountants struggling how to secure satisfactory receipts and expenditure, while thousands of rupees accounted to be in deficit, according to the a/cs, as maintained by the office managing agent with the help of all the clerks.

The Directors can fairly imagine how the errors, omissions and mistakes attempted to square up at the cost of myself, who had had no handling in cash and accounts.

STATEMENT NO. 4.

Items of double debit :—

Name	Account			Heading			Personal		
Chetty	140	0	0	Preliminary	140	0	0	140	0	0
Mr. K. R.	75	0	0		75	0	0	75	0	0
Mr. H. N. R.	20	0	0		20	0	0	20	0	0
Mr. V. K. L.	597	0	0		571	12	0	597	0	0
Abdul Gaffoor	70	4	0	Stationery.	70	0	0	70	4	0
Mr. S. S. R.	88	10	0					88	10	0
Krishnaswamy Chetty	0	13	5					0	13	5
Mr. B. N.	40	0	0	Legal.	40	0	0	40	0	0
Mr. Linganna	25	0	0	House rent	25	0	0	25	0	0
	1056	11	5					1056	11	5

This shows how Rs. 1056-11-5 deficit made up.

STATEMENT NO. 5.

In the preliminary list as found in the Statutory Report.—

A sum of Rs. 20-0-0 paid to Harrison Press for printing memorandum, corrections etc., have left to include in preliminary expenses.

STATEMENT 3

	Rs.	A.	P.
For my bill of Prel. expenses in detail as described. In Mr. S. S. R. Statement	783	8	0
Harrison printing charges left inclusion by Mr. S. S. Rao mentioned by me in prel. account	20	0	0
Total Rs. ...	803	8	0

	Rs.	A.	P.
Amount collected by me on shares from signatories:—	1,000	0	0
Allowed for prel expenses	803	8	0
Overdrawn	195	8	0

Preliminary includes 'printing, registration, stationery, typing and other miscellaneous charges, exclusive of legal charges, amounting to Rs. 280 details, Rs. 210 0-0 plus 50-0-0 C. K. S. plus 20-0-0 H. N. R.

	Rs.	A.	P.
Ch. Printing charges ...	15	0	0
Printing paper ...	89	8	0
Total Rs.	104	8	0

	Rs.	A.	P.
Therefore the preliminary expenses allowed	803	8	0
L. charges ...	280	0	0
Paper and printing ...	104	8	0
Rs. ...	1,188	0	0

The following items were sanctioned to Prel. Head by the Board.

Rs.	A.	P.	
75	0	0	to Mr. K. R.
140	0	0	to Chetty.
597	0	0	V. K. L.
Total Rs. 812	0	0	

Plus Rs. 1,188 preli. allowed. This comes up t Rs. 2,000 sanctioned by the Board.

APPENDIX G

List of items debited in the Rough cash book but omitted in the fair between 31—8—25 and 30—10—25.

Date	Particulars	Amount. Rs.	A.	
31— 8—25	Paid Mr. V. K. L.	15	0	
Do	(No details)	36	0	
Do	Evening exp.	0	13	
2— 9—25	Paid Managing Agents to pay Mr. C. S. Srikantiah ...	5	8	
	(Srikantiah's voucher for payment not forthcoming)			
Do	Coffee powder	0	6	
3— 9—25	Paid S. N. Varadaraj (Tiffin)	0	12	
Do	Paid Mr. K Ramanna	0	4	
8— 9—25	do	0	4	
9— 9—25	do	0	2	
Do	Paid Mr. C Krishnamoorthy Sastry to be returned as soon as he draws his pension	1	0	
Do	Paid Mr. K. R.	0	0	
Do	Paid Linganna for Coffee	0	6	
10— 9—25	Paid Mr. K. R	0	0	
11— 9—25	do (for honey)	0	4	
13— 9—25	Paid Mr. V. K. L. for Coffee and Sugar	0	7	
15— 9—25	,, Mr. K. Ramanna	0	4	
17— 9—25	,, Mr. V. K. L. for cane	0	4	
Do.	,, Mr. R. K. Naidu	1	0	
19— 9—25	,, Mr. K. R.	0	10	
22— 2—25	,, Mr. V. K. L. for cream (34-0-0 + 52-0-0)	86	0	
23— 9—25	,, do (Mr. Wadia's cheque)	17	10	
22— 9—25	,, K. Ramanna	0	8	0
24— 9—25	,, do	2	8	0
14—10—25	Paid Chief Agent	0	8	0
15—10—25	do	0	8	0
22—10—25	Paid Mr. K. R. for Jutka charge	0	6	0
30—10—25	Paid Mr. Arunachalliah	2	4	0
	Total ...	173	9	3

	Rs.	A.	P.	
Rs. 1715 2 0 Item	89	8	0	All debited to certain headings of expenditure, full details and expenditure are not given. All these items are debited on 20—12—24. Details should be called for.
	46	12	0	
	418	6	0	
	68	4	0	
	24	0	0	

So far as I know, 418-6-0 dated 20—12—24 debit for advertisement charges, include Rs. 325-0-0 given to Mr. T. Sarvanam, chief agent, Madras Presidency, as advance under certain

conditions. Unless details are furnished for the other above items, I am unable to say anything. The account Books does not bear a single attestation signature of the off; Managing Agent, who is the chief responsible officer for office and financial matters and accounts. According to his own letter No. dated and memo of 12—10—24 of Managing agents.

In conclusion I beg to submit that I seriously doubt the corrections of cash accounts and as such it requires to be urgently re-audited and placed before an extraordinary general meeting of the share-holders for their consideration, within one month from this date; otherwise this statutory account becomes confirmed under page 21 clause 152 of the articles of association of the company.

Explanation submitted by Mr. S. S. R. in reply to my letter dated 31—12—25 is nothing but beating about the bush.

Accounts :—

Recorded by the off; Managing Agent in cash accoun

Abstract of Accounts

Statement of preliminary expenses, as recorded by the office Managing Agent in cash accounts Ledgers of the Company.

Statement No. 2

(A)

Preliminary expenses—Rs. 1,715-2-0.

	Rs.	A.	P.	
1.	50	0	0	Cash to V. K. L. 30—6—24
2.	175	0	0	do 16—7—24
3.	100	0	0	do 7—8—24
4.	199	0	0	15 Ch. Press. 140 Chetty. 44 Cash V. K L. 16—8—24
5.	202	0	0	160 S. S. R. 42 Cash to V. K. L. 19—8—24 C. K. S. 10— 9—24 K. R. 18— 9—24 C. K. S. 18—12—24 Stationery 20—12—24
6.	25	0	0	
7.	75	0	0	
8.	25	0	0	
9.	89	8	0	
10.	46	12	0	Do Do
11.	418	6	0	Do Do
12.	68	4	0	Do Do
13.	24	0	0	Printing Do
14.	20	0	0	H. N. R. 12—10—24
15.	160	12	0	Cash to V. K L. 12—10—24
16.	36	8	0	Lease registration Do
Total Rs. ...	1,715	2	0	

(B)

V. K. L. personal—Rs. 1,300-5-5 (called advance).—

	Rs.	A.	P.	
1.	216	8	0	Overdrawn.
2.	20	0	0	(item 19) Double entry.
3.	140	0	0	(item 4) Do
4.	75	0	0	(item 7) Do
5.	597	0	0	(Neither given, nor drawn, includes 571-12-0 received in cash as above, in preliminary expenses heading.)
6.	70	4	0	[Stationery supplied including (T. A. expenses) bought of Abdul Gafoor and Tarachand.]
7.	88	12	0	(Paid, not credited. Vide voucher given for 125 and the balance met for T. A. in appointing Inspector at Nagavar; settling the question of Dairy Inspector and canvassing some business. Refund recorded in the receipt.)
8.	0	13	5	(Cash was with Krishnaswamy and Chetty. I had no concern.)
9.	40	0	0	(Paid to legal advisor by office. Nothing to do with that.)
10.	25	0	0	(Includes in advance given for house rent to H. C. [illegible] there are vouchers for it.)
11	30	0	0	(Harvesting advance charges.)
Total ... Rs.	1,303	5	5	

List of items for which receipts have been issued but not brought to the Cash Book

Serial No.	No. and date of Rect No.	Date	From whom received	Particulars	By whom received	Amount			Remarks
1	K. R.	1	26— 5—24	L. S. Srikanta Row ...	Advance for appointment of Sub-agency	Mr. V. K. L. Mudr.	4	0	0	The amount is credited in the rough cash book but omitted in the fair.
2	...		8— 8—24	Nagamangala Narasimmiah, Retd. Bench Clerk, City Magistrate's Court, Mysore.	Application amount for 25 shares for Inspector's appointment, Malavalli Taluk	do	50	0	0	Two sums of Rs. 50 each were received on this date by Mr. R. K. Naidu as per katcha receipts, dated 8—8—24 and made over to Mr. V. K. L. the same day. One of them only has been brought to the cash bcok (rough and fair) while the other item has been left out of account altogether
3	K. R.	6	21—10—24	V. Srinivasiengar, Inspector, Seringapatam.	Towards share and Live Stock	Mr. K. Ramanna...	29	4	0	Against Rs. 29-4-0 there is a credit of Rs. 4-8-0, on receipt No. 525 as received from Sreenivasiengar and nothing more
4	K. R.	1	5— 1—25	H. Venkataramiah N. pura ...	Application fee for 3 shares	Mr. K. Ramanna through N. Bishtiah	6	0	0	As per report of Sub-agent Bishtappa Rs. 35 was sent by insured post and acknowledged, by Mr. Ramanna vide para 131 of the Report.
5	K. R.	3	5— 1—25	Sahukar Rayappa N. pura ...	For 3 fully paid up shares...	do	30	0	0	
6	K. R.	2	5— 2—26	Hassan Abba Sait, Mysore ...	In full settlement of Dairy dues to end of Decr. 25	Arunachalliah ...	5	7	0	Rs. 6-0-2 including Rs. 5-7-0 is still outstanding against the party
7	K. R.	10	3— 4—26	Haji Dada Abba Sait, Merchant.	In settlement of Dairy dues for March 26	Mr. V. K. L. Mudr.	0	0	2	Out of Rs. 27-5-8 collected as per receipt, Rs. 27-5-6 only has been credited to the cash books (rough and fair) on 1—4—26 or two pies short
8	K. R.		3— 4—26	Abba Sait, Dodpet, Mysore ...	Advance for supply of Milk	do	10	0	0	
9	K. R.		5— 5—26	Y. N. Krishna Moorthy No 628, ion.	Advance for one seer of Milk daily.	do	3	0	0	
						Total ...	137	11	2	

APPENDIX J

Ref. 1100/24—3—27.

To

The Managing Director,
The M. Ag. D. F. Co. Ltd., Mysore.

24—3—27.

Dear Sir;

With reference to your letter No. 1079 dated 23rd March 1927, I wish to explain that in respect of Mr. Y. N. Bishtapa Sub-agent, Narasimharajapura, I remember that I received an insured letter on one morning when I had just returned from Bangalore on company's business. Mr. S. Sundara Rao was looking after my duties in my absence, on that particular morning of my receipt of the insured letter; I signed the insured letter asking the head clerk to take the same into accounts and went away on Co.'s business. I have given to Mr. Sundara Rao, the ex-office managing agent, the katcha accounts. Unless I see the said katcha accounts, I shall not be able to answer you. Please therefore furnish me the said katcha accounts, if you have got or from Mr. S. Sundara Rao.

Yours faithfully,
Sd. K. RAMANNA.

No. 1106/25.

Forwarded to Mr. S. Sundara Rao, B.A., L.L.B., for remarks.

Full details may kindly be furnished about the katcha accounts referred to by Mr. Ramanna, as the amount of Rs. 35 sent by Mr. Bishtappa by Insured post on 9—1—1925 was not taken to the cash book. The file may be returned with your reply by tomorrow, as the matter is very urgent.

Sd. S. GANGARAJU,
Managing Director. 24/3.

1106/25—3—27.

Mysore,
24—3—1927

Regret, I am not in possession of any katcha accounts and as regards the insurance I remember an explanation has been called for from Mr. Ramanna.

Sd. S. SUNDARA RAO,
24—3—27.

APPENDIX K

Copy of letter No. 523/2 of 1927 dated 19th December 27, from the Registrar of Co-operative societies, Bombay Presidency — Poona — to the Managing Director.

Subject — Your deposit of Rs. 940 with the Hiremannur C. C. society, — District Dharwar.

In continuation of my letter No. 523/2 dated the 24th November 27, on the above subject; the honor to inform you that I understand from enquiry that the sum of Rs. 450 and Rs. 490 current accounts with the Hiremannur C. C. Society, to the credit of your firm on 22—9—25 by your sub agents, Messrs. Dasacharya and Guracharya were mere book adjustments made by the Secretary of the Society with whom they are found to have been in league, without the knowledge of the Committee Members. Further these deposits are shown to have been withdrawn by the depositors on 1—10—26. It will thus be clear to you that the whole transaction was a bogus one and that there was actually no deposit with the Society to the account of your firm. Strict measures have been taken against the Secretary of the Society and Mr. Dasacharaya (who is also the Secretary of the Ron Agri. C. C. Society) whose services have already been dispensed with for their dishonest conduct. I may add for your information that it is further ascertained that the two so called depositors resorted to this illegal course in order to make you believe that they had actually kept the amount to your credit and thus make themselves shareholders eligible for loans.

2 In these circumstances you cannot have any claim against the Society in respect of the socalled deposit of Rs. 940.

APPENDIX L

IN THE COURT OF THE CITY MAGISTRATE, MYSORE.

Dated this 28th day of November 1927.

Present :—B. NARAYANASAMI IYENGAR, ESQ., B.A., B L.,

City Magistrate.

C. C. No. 578 of 1926—27.

Complainant.
S. Gangaraju

Accused.
K. Ramanna.

Offence under section 409 I. P. C.

ORDER.

The complaint was presented against the above accused on 15—6—27 for an offence under ction 409 I. P. C, Complainant P. W. 1 Gangaraju and P. W. 2. Sundara Rao are the only two itnesses examined for the prosecution. The prosecution case according to them is noted below·

2. Mr. Sundara Rao, Advocate was the partner of the Firm of Managing Agents to the ysore Agricultural Dairy Farm Co., Ltd., Mysore. The Co. was started in may 1924. The firm managing agents was styled Messrs V. K. Lakshmana Mudaliar & Co., It consisted of 3 partrs Messrs. Sundara Rao, (P. W. 2) Ramanna (Accused) and V. K Lakshmana Mudaliar, under agreement E. X. P. I. dated 27—7—24. P· W. 2 was the office Managing Agent. Accused was e Dairy Managing Agent and Mr V. K. L. Mudaliar was the Organising Managing Agent This reement Ex. P. I. has been off and on modified by the Resolutions of the Board of Directors and one or two resolutions of the general body in the Statutory general meeting. The accused was sponsible for the cash and accounts of the Dairy Branch He tendered his resignation, Ex. P. 3., 18—11—25 and this was accepted on 19—11—25 but he continued, as Director.

3. After this resignation, P. W. 2 and Mr. V. K. L. Mudaliar looked after the running ndition of the Dairy Branch till March 1926. Accused did not formally hand over charge, though a letter to the firm he undertook to hand over charge on 1—12—25. Till June 26, the cash book any other book did not com · to the hands of P. W. 2. The accused had maintained a cash book c. P. 2. The cash balance of the Company in the Dairy Branch on 31—10—25 is Rs. 641-12-11. ie certificate and signature in regard to this balance is in the handwriting of the accused Ex. P. 2a. is cash balance was not handed over by the accused either to P. W. 2 or to Mr. V. K. L. Mudaliar. W 2 brought this to the notice of the chairman very many times and also asked the accused to nd over charge.

4. P. W. 1 Complainant became connected with the Company only on 22—11—26. He d no sort of connection with the Company or its concerns before that date. He was appointed as anaging Director from that date. In the course of his examination of the books he found this lance of Rs. 641-12-11, as due from the accused. On 5—12—26 there was a meeting of the Board Directors and P. W. 1. brought a proposition in regard to this balance before the Board Ex. P. 4 d a resolution was passed by the Directors. Ex P 5 calling for the accused's explanation. On -12-26, P. W. 1 wrote to the accused for his explanation, Ex. P 6. He got a reply Ex. P 7 ted 7—12—26 from the accused on certain items. On 8—1—27 P. W. 1 asked the accused for deled information for the full amount. Ex. P. 8 for which he got a reply Ex P. 9 on 12—1—27 ering information on the several items.

5. In February 27 at a meeting of the sub-committee of Directors, a resolution was passed to effect that this balance should be debited to the firm. In spite of this P. W. 1 has deposed that lodgod this present complaint, not in pursuance of any resolution of a meeting of the Directors in mmittee or sub-committee, for there was no such Resolution, but of his own accord and in the disurge of his duties as Managing Director in the concern. P. W. 2 has deposed that the question of preferring a complaint was before the Board and the Board considered that the case was one of civil liability, as the accused had tendered his explanation, stating that some item required investigation. Further P. W 2 has deposed that he is the author of the Articles of Association relating to this Company and states that P W. 1 has no authority to lodge a complaint of this sort, without the previous sanction of the Board and that during the period he remained on the Board, he is sure that the Board has not sanctioned this present complaint. On 15—6—27 there was an extraordinary General Meeting of the share holders in which the Board was dissolved and the managing agents' agreement was cancelled and a fresh Board was elected in which P. W. 2, accused and Mr. V. K L Mudaliar had no place. P. W. 1 was merely ex-officio Director and he continued under the new Board, in accordance with his contract He has not yet executed a fresh agreement with the new Board. P. W 1 states that his complaint has been ratified by the new Board on 1—7—27, Ex P 10 by the share holders on 10—10—27. From these circumstances it becomes apparant that the Board considered the case as one of civil liability and that they subsequently accepted the accused's explanation by debiting the balance to the Firm. P. W. 1 has merely raked up a settled fact, of his own accord and without the support of the Board, and ratification of his act by a New Board does not affect the merits of the case. No question of conversion or appropriation of money by the accused arises in the circumstances and I hold that no case against the accused is made out under section 409 I. P. C. I accordingly discharge the accused under section 253 C. P. C..

Pronounced in open court.

Sd. B. NARAYANASAMI IYENGAR,
City Magistrate.

IN THE COURT OF THE DISTRICT MAGISTRATE, MYSORE

Revision "Petition" of 27—82.

Petitioner:—S. Gangaraju, son of S. Sarraju, aged about 32, Vaisya by caste, Managing Director of the Mysore Agricultural Dairy Farm Co. Ltd., Railway Station Road, Mysore.

Vs.

Opponent:—K. Ramanna son of—Brahmin, aged about 45, Ex-Managing Agent of the Mysore Agricultural Dairy Farm Co., Ltd., residing in Budugunta Ramasetty's Choultry, Doddapet, Mysore.

Under section 435 of the Criminal Proceedure Code, the petitioner above named begs to apply for the revision of the order of discharge passed by the City Magistrate, Mysore, in C.C. 578 of 26—27, dated the 28th November 1927 and to state as follows:—

I. The lower court erred in coming to the conclusion that the case is one of a Civil nature merely on the *dictum* of P. W. 2 that the Board considered it as such though such a statement is not supported by facts.

II. While P. W. 2 admits that the opponent was responsible for Cash and accounts that he had a cash balance of Rs. 641 and odd on hand and yet did not account for it, i.e., in other words that the opponent had misappropriated this sum, yet opines that the case is of a civil nature and the lower court relying on this inconsistant and contradictory statement of P. W. 2 has wrongly discharged the opponent.

III. The position of a Managing Director with the extensive authority vested in him is analogous to that of a trusty, whose duty it is to safeguard the interests of the shareholders. A perusal of the terms of the agreement between the petitioner and the Board would have convinced the court, beyond all doubt, that the former is clothed with authority to do, on his own initiative, such acts as he considers necessary for the proper management of the business of the company and discharge of his duties and omission to do any such necessary act would make the petitioner personally responsible.

IV. The proposition of lodging a complaint against the present opponent was before the Board since March 27, but owing to adjournments of the meeting brought about by some of the interested Directors on the Board, this proposition and Agenda could not be discussed during the regime of the old Board which ceased to exist from 15—6—27.

V. The Lower Court failed to recognise that the ratification of the act of the petitioner in lodging the complaint, by the new Board as well as by the General Body of share holders by unanimous resolution, ratifies the whole transaction and the lower court is wrong in holding that the petitioner had no authority to do this act.

VI. Even though there were sufficient materials to make out a *primafacie* case against the opponent, the learned magistrate has failed to appreciate them and come to a correct conclusion.

VII. The learned magistrate was wrong in losing sight of the main issue i.e., whether the opponent had committed the offence or not, but only addressing himself to the side issues, which has influenced his judgement.

VIII. The Judgement of the Lower Court is otherwise opposed to law, facts and probabilities of the case.

IX. The petitioner therefore humbly prays that this Honourable Court may be pleased to revise the order of discharge of the Lower Court and remand the case with a direction that the opponent may be charged and the case proceeded with.

Mysore, dated 14—12—1927.

APPENDIX M

Mr. V. K. Lakshmana Mudaliar's Personal account, Dr.—Rs 3,536 5-17 on 31—3—27.

Date	Particulars	Debit Rs. A. P.	Credit	Remarks
1924				
August 6	To Cash ...	30 0 0		
7	...	10 0 0		
23	through Narasimmiah	25 0 0		
Decr. 18	To Cash ...	15 0 0		
20	„ „ (T. N. L. Chetty)	15 0 0		
	To Cash ...	1,205 5 0		
		1,300 5 5		

The above amount is analysed as follows, as per Mr V. K. L. Mudaliar's statement of account—

Difference between Rs. 1,000 shown as received by Mr. V. K. L for preliminary expenses from five Directors and that passed by the Board ...	196 8 0	Items charged in the Preliminary Expense statement, but disallowed by the Board for want of provision, in the articles of association.	
Payments to H. N. Row ...	20 0 0		
„ T. N. L. Chetty ...	140 0 0		
„ K. Ramanna ...	75 0 0		
„ V. K. L. Mudaliar ... (Remuneration as promoter)	597 0 0		
Out of Rs. 100 said to have been received from K. V. Gundu Row, Rs. 29-12-0 is debited in the cash-book on 20—12—1924, the balance remaining unaccounted for ...	70 4 0		
Unspent balanc of Rs. 125 with Mr. Mudaliar after paying Rs. 36-4-0 towards L. S. C. forms work debited to contingencies on 20—12—24) ...	88 12 0		
Cash with Krishnaswamy ...	0 13 5		
August 6th and 7th — Mr. B. N. Iyengar on Mr. V. K. L. Mudaliar's account ...	40 0 0		
Decr. 18th & 20th — Paid to V. K. L. Mudaliar for harvesting charges ...	30 0 0		
23rd August 1924 — Paid to N. Narasimmiah on account of V. K. L. Mudaliar ...	25 0 0		
Bill of Harrison Press ...	20 0 0		
	1,303 5 5		

Deduct amount paid to bank

Date.	Particulars.	Debit. Rs. A. P.	Credit.	
1927 March 26	To Cash ...	50 0 0		
	To Transfer from Preliminary expenses account ...	571 12 0		
	Do from agricultual opcrations ...	76 7 9		
	To Petty Cash payments ...	38 5 0		
	Do ...	51 10 0		
	To transfer from S. N. L. Chetty's account ...	125 8 0		
	To advance of Seigniorage Commission ...	85 0 0		Out of this, Rs. 10 relates to H S. Nanjunda Row
	To lease advance ...	720 0 0		
	To transfer from Loan account..	775 0 0		
	Transfer from Dairy account ...	142 2 1		
	By Harrison's bill since admitted	...	20 0 0	
	„ By cash credits ...	...	31 12 5	
	„ ...	...	46 1 0	
	„ ...	...	53 7 0	
	„ Sitting charges ...	...	166 0 0	
	„ Travelling allowance ...	...	0 8 0	
	Transfer of Security Deposit of Shankar Lal	...	82 0 0	
	Total ...	3,936 2 3	399 12 5	
	By balance ...	...	3,536 5 10	

APPENDIX N

To

P. S. Mysore

I came to be informed that the petition addressed to H'ble B. R. has forwarded to you for ection and the due actions on the matters of the Mysore Ag: D. F. Coy. Now, I beg to bring more points worthy of your notice, which please oblige to inspect for the welfare of us the sub- of His Gracious Highness the Maharaja of Mysore.

I. R. S. Deshaponde.

II. Sanction of Rs. 5,000 loan by the Organising Committee even in the primary stage of the 's floatation without tangible security without the sanction of board of Directors against the rule ie prospectus of the Cy. Agricultural. Loans I(b)

III. The silence of the Directors or the Managing Authority regarding the misappropriation of the amount by one Narasimha Moorthy in Nanjangud Taluk.

IV. The misrepresentation of the company in some places of Mangalore Dist. the complaint of which comes daily.

V. The refusal of the payments by the Directors due to the company and yet remaining in the roll of Directors against rules in the articles of association, Para 98(b)

VI. I further stand from reliable sources that the present Managing Director has brought to the notice of Board of Directors several serious irregularities and even framed charges against the Ma- misappropriation of property fund falsification of accounts and recommended can-

cellation of Managing Agent's agreeme[illegible] prosecution against Managing. But it appears that the Directors have debited certain amounts to Managing Agent's firm without tangible security or for sight for recovery and thus shirking of responsibilities. No action seems to have been taken by the Directors in the matter till now. Unless the authorities concerned interfere immediately there is no salvation to the shareholders.

Note (Para VI in red ink is in the handwriting of Mr. Gangaraju)

21—2—28

"True copy"

Sd. M. K. SAMPATHKUMARAN.

This draft is to Mr. Gangaraju's dictatien in black. The red ink portion 'being in his own writing, as stated above. On the basis of this draft, I sent a different letter to the superintendent of Police in Mysore.

21—2—28.

Sd. M. K SAMPATHKUMARAN.

APPENDIX O

The explanation given by the Managing Director in answer to the charges of Mr. V. K. L. Mudaliar seem to be sane and satisfactory. In the teeth of the said explanation, the charges of Mr. Mudaliar are groundless, and it reminds me of his peculiar nature of picking up quarrels with every one, who does not dance to his tunes, whether he happens to be a partner or a Managing Director, with the result that there would be plenty of unpleasantness not only between the aforesaid persons but among the Directors also.

Again Mr. Mudaliar's letter dated 19—4—27 addressed to the Chairman betrays his tendency to bring forward groundless charges, as can very well be seen by the Managing Director's, reasons re: the time taken for furnishing his explanation. Further the charges No 13 and 14, as can very well be seen, are written in ink and comparing the copy forwarded on 26—3—27 to the Managing Director, with the present one it shows that these charges are later insertions, for which Mr. Mudaliar deserves to be dealt severely. The said action reflects greatly on his character, seeing that he, as Managing Agent, happens to hold a position of great confidence and trust. Considering the terms of the Managing Director's agreement and the fact that he is not a debtor to the company, I cannot concur with Mr. A. J. Ram re: the stoppage of his salary. The board must impartially view and judge things, disregarding personal or vested interests. Considering the fact that Mr. V. K. L. Madaliar has submitted some false bills to the company and has dared to make a false statement in his adjustment report that the Dairy animals (buffaloes) were grazing since October 1925, when the company owned no animals, and considering the fact that when he is debtor to the company a huge extent he says he is not he does not deserve to continue to be the managing agent and his agreement has to be cancelled for the foregoing fraud committed on the company. So long as Mr. V. K. L. Mudaliar continues, in my opinion, to be the Managing Agent of the company, there would be no salvation either to be Company or to the Directors. Lastly after my resignation, the question whether there is the firm of V. K. L. & Co., has to be considered and decided and the said question may be referred to an advocate or a solicitor apart from the company's legal advisor.

9—4—27.

Sd. S. SUNDARA RAO,

APPENDIX P

NOTICE:

The following Notice is given in reply to a Notice published by Messrs. V. K. Lakshmana Mudaliar & Co., as Managing Agents of the Mysore Agricultural Dairy Farm Co., Ltd., Mysore, in daily "Hindu," dated 30—8—27.

The share-holders in their extraordinary General Meeting held on 15th June, '27, removed Messrs. V. K. Lakshmana Mudaliar & Co., from the Managing Agency by cancellation of their agreement and dissolved the Board of Directors by constituting a fresh Board of Directors and ratified the appointment of Managing Director made by the Board of Directors in their meeting held on 14—11—26. Hence, the ex-Directors and Mr. V. K. L. Lakshmana Mudaliar, sole Proprietor of Messrs. V. K. Lakshmana Mudaliar & Co., have no connection with the management and affairs of the Company after the date of extraordinary General Meeting, i. e., 15—6—27, and their actions representing themselves as Directors and Managing Agents on 23rd June 1927, and afterwards as stated in the Notice are *ultra vires*. The allegations made against the Managing Director are therefore not true and cannot be substantiated with facts and figures. As such, the Notice given by Messrs. V. K. Lakshmana Mudaliar & Co., as Managing Agents of the Mysore Agricultural Dairy Farm Co., Ltd., Mysore, in "The Hindu," dated 30—8—27, is not based on real facts and is simply misleading and not binding on the Directors, Managing Director, Share-holders Livestock Certificate-holders, Company's workers and Bankers in any way.

For the Mysore Agricultural Dairy Farm Company Ltd.

Sd. S. GANGARAJU,

Managing Director.

APPENDIX Q

Consolidated Profit and Loss account of the Mysore Agricultural Dairy Farm Co Ltd, Bangalore from Commencement to end of March 1928. (Preliminary).

Losses	Actuals: To end of December 25	Actuals: From 1—1—26 to 31—3—27	Total	Preliminary figures for 27—28	Total	Profits	Actuals: To end of December 25	Actuals: From 1—1—26 to 31—3—27	Total	Preliminary figures for 1927—28	Total
To Salaries ...	7,758	3,309	11,067	3,650	14,717	By Trading account ...	705	61	766	...	766
„ Managing agent's allowance ...	2,806	3,000	5,806	900	6,706	„ Premium on L. S. Regn. ...	6,877	2,113	8 990	22,202	31,192
„ Sitting charges ...	1,411	746	2,157	30	2,187	„ Certificate fee ...	231	9	240	2,330	2,570
„ Appointing charges ...	...	4,767	4,767	...	4,767	„ Interest ...	137	885	1,022	11	1 033
„ Remuneration to Agents ...	...	5,454	5,454	27433	32,887	„ Rent ...	67	...	67	...	67
„ Travelling allowances ...	567	410	977	1,053	2,030	„ Premium renewals ...	...	...	...	112	112
„ Audit and Investigation fees ...	150	338	488	400	888	„ Company fee do. ...	...	1	1	25	26
„ Commission on L. S. Regn. ...	82	317	399	1,448	1,847	„ Forfeiture of Security Deposits	...	5,196	5,196	9,220	14,406
„ Rent and Contingencies ...	2,146	858	3,004	916	3,920	„ Other items ...	47	1,202	1,249	23	1,272
„ Postage ...	617	485	1,102	773	1,875	„ Net Loss ...	19,291	13,332	23·623	6,185	29,808
„ Stationery, Printing & Advertisements.	1,343	1,632	2,975	1,855	4,830						
„ Legal Charges ...	181	150	331	563	894						
„ L. S. Death claims ...	...	163	163	187	350						
„ Interest Paid ...	152	...	152	41	193						
„ Depreciation charges ...	...	132	132	566	698						
„ Other items ...	1,143	1,038	2,180	283	2,463						
Total ...	18,355	22,799	41,154	40,098	81,252	Total ...	18,355	22,799	41,154	40,098	81,252

APPENDIX T

Name of Range.	Jurisdiction.	No. of Org. Inspectors Salary, Rs. 150 pius 125.	No. of Supervisors at Rs. 50 plus 25.	No. of Sub-Agents on Commission.
Vizianagram.	Vizag & Ganjam.	-	15	...
Amalapuram.	East & West Godavary.	1	9	,
Bezwada.	Guntur & Kistna Districts.	1	12	15
Nellore.	Nellore Dt.	1	5	6
Ranipet.	Madras, Chengalpet, Chittoor & N. Arcot.	1	6	13
Chidambaram.	S. Arcot, Tanjore, Trichy, Dts. Pudukotta & Pondicherry.	1	12	153
Virudhunagar.	Madura, Ramnad & Tinnavelly.	1	10	36
Kottayam.	Cochin & Travancore States.	1	2	22
Ernakulam.	South Malabar.	1	1	...
Coimbatore.	Salem, Coimbatore & Nilgiries.	1	6	15
Koppa (Kadur)	Kadur, Shimoga & Chitaldurg.	1	...	...
Nandyal.	Cuddapah, Kurnool, Bellary & Anantapur.	1	6	12
Mercara.	Coorg, South Kanara & N. Malabar.	1	7	4
Mymensingh.	Mymensingh, Backergunj, and Fardpur	1	11	...
Asansol.	Nadia, Burdwan & Hughly.	1	4	1
Dacca.	Dacca, Tippera, & Naokali	1	7	1
	Total. ...	16	113	284

One Branch Secretary for Behar, Orissa, Assam & United Provinces.

Section J. S.

File No. 15-26.

Serial No. 23

No. D 12296

Diary No. of letter replied to.....

General and Revenue Secretariat

( )

the *192*

To The Registrar of Joint Stock Companies in Kegalle

Date of issue 25-5-29

Signed by Mr. C. Navaratnam

Sir,

With reference to the Correspondence ending with your letter No C 12/27-28 of the 5th February 1929, relating to the Affairs of the Kegalle Agricultural Dairy Farm Co Ltd, I am directed to state that ~~According to~~ according to the provisions of Section 196 A of the Cr. Procedure Code as amended by Regn VI of 1927 ~~it is~~ the District Magistrate ~~who has~~ has power to order an investigation by the Police ~~and that~~ if the Balance Sheets contain false statements with knowledge of the same the persons who have signed the Balance Sheets may be prosecuted under Section

st of enclosures.....

Copied by.....

Examined by.....

over

~~no company's registration. I am therefore to request you to good as to place yourself in communication with the distributors in the matter, as regards fees under 994 A. I. P. C. the sections under which the company is liable to be punished~~

company law may be required by or on behalf of you or by any other person authorised by you

I have etc

Cen.
16/5/29

Forsee for Gen Dir accepts

S.D.
16/5

17/5/29